LOTT CLEAN WATER ALLIANCE

BUDGET AND CAPITAL IMPROVEMENTS PLAN

2025-2026

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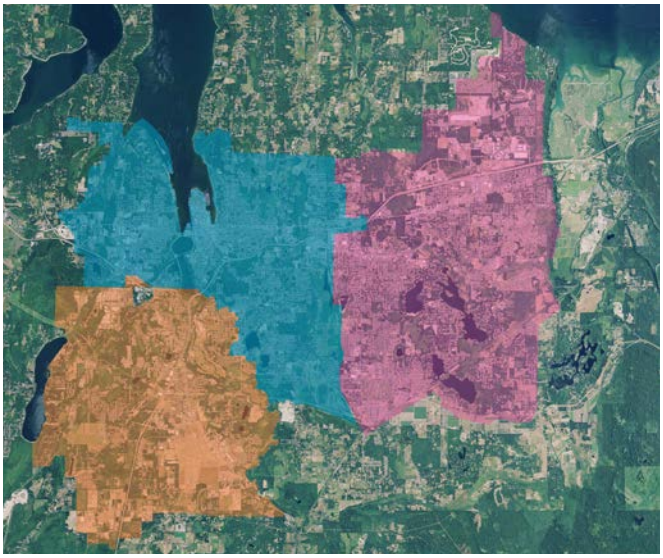
Executive Summary

The LOTT Clean Water Alliance provides wastewater treatment and reclaimed water production services for the urban areas of Lacey, Olympia, and Tumwater in north Thurston County. LOTT's complex system of treatment and conveyance facilities represents one of our communities' largest regional investments, worth an estimated $1 billion.

To sustain the communities' investment in the existing system and accommodate future service needs, LOTT operates under a continual cycle of planning, designing, and completing numerous capital projects.



LOTT provides wastewater treatment and reclaimed water production services for the urban areas of Lacey, Olympia, and Tumwater in north Thurston County.

Many of these projects are large-scale, span multiple years, and require substantial investment. At the same time, LOTT must operate its treatment facilities 24 hours a day, 7 days a week, 365 days a year, to ensure that wastewater is properly treated and cleaned before it is released into the environment. To support all this, LOTT must carefully manage financial resources, planning ahead with a long-term view that provides flexibility to adjust to changing conditions, while minimizing impacts to ratepayers. LOTT uses a six-year financial planning period, and 2025-2026 represents the first biennium of the current planning cycle.

This document outlines LOTT's two budgets for the 2025-2026 biennium – a Capital Budget and an Operating Budget. The Capital Budget includes costs to replace, upgrade, or rehabilitate existing facilities and to build new system capacity. These projects are described in the Capital Improvements Plan, also included in this document. The Operating Budget contains all the costs necessary to operate LOTT's facilities and provide related services. The following table shows a combined summary of both operating and capital revenues and expenses for 2025-2026.

Overall Budget Summary 2025-2026

REVENUE	2025-2026 Budget	2023-2024 Budget	Annual % Change
Wastewater Service Charge	$80,508,448	$72,555,094	5.5%
Capacity Development Charge	$16,003,817	$16,010,795	0.0%
Miscellaneous Revenue	$8,633,119	$1,850,169	183.5%
Net Revenue from Rates and Charges	**$105,145,384**	**$90,416,058**	**8.1%**
Debt Funding	$10,000,000	$10,000,000	0.0%
Use/(Saving) of Cash on Hand	$15,484,027	$21,260,611	(13.6%)
Total Resources	**$130,629,411**	**$121,676,669**	**3.7%**
EXPENSES	**2025-2026 Budget**	**2023-2024 Budget**	**Annual % Change**
Net Operating Expense	$38,435,562	$32,423,273	9.3%
Debt Service	$16,308,150	$15,845,499	1.5%
Capital Expense	$75,885,699	$73,407,897	1.7%
Total Expenses	**$130,629,411**	**$121,676,669**	**3.7%**

Capital Budget

Capital costs are based on LOTT's Capital Improvements Plan (CIP), which is reviewed and updated each biennium. The projects identified in the CIP are necessary to ensure LOTT sustains the existing wastewater treatment system and provides needed new system capacity. The CIP includes a detailed six-year plan through 2030 and a summary long-range plan for 2031 through 2037 and beyond. The Capital Budget includes costs for projects on the short-term CIP that LOTT expects to spend within the calendar years 2025 and 2026. It is up about 1.7% per year over the 2023-2024 Capital Budget due to inflation and several large-scale projects needed to upgrade portions of the Budd Inlet Treatment Plant.

Operating Budget

The Operating Budget includes three categories of expense – personnel, direct operating expense, and general expense. Overall operating expenses for 2025-2026 have increased approximately 9.3% per year over the previous Operating Budget due largely to the increasing costs for personnel, electricity, and insurance.

Revenue

LOTT has two primary sources of revenue – a monthly rate for LOTT sewer service and a one-time connection fee. The monthly rate is called the Wastewater Service Charge (WSC). Revenue from the WSC is used to pay for costs of sustaining and operating the existing wastewater treatment system. The connection fee is referred to as the Capacity Development Charge (CDC). Revenue from the CDC pays for costs associated with building new system capacity to serve new customers.

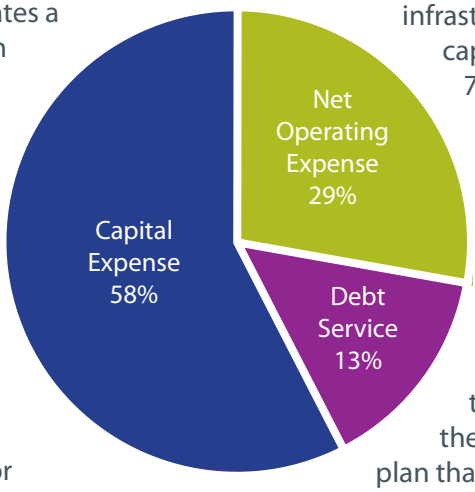
- Wastewater Service Charge – The monthly rate will be $47.52 in 2025 and $48.95 in 2026, which reflects a 3% inflationary adjustment for each year. Growth in WSC revenue is estimated to be approximately 5.5% per year.
- Capacity Development Charge – The fee for new connections will be $7,434.99 in 2025 and $7,806.74 in 2026. About 1,050 new connections are anticipated for each year. This rate reflects a 3% annual inflationary adjustment and a 2% adjustment each year for a pilot affordable housing support program.

The projects identified in the CIP are necessary to ensure LOTT sustains the existing wastewater treatment system and provides needed new system capacity.

Financial Planning

Overview

The LOTT Clean Water Alliance operates a complex system of facilities worth an estimated $1 billion. The system includes the Budd Inlet Treatment Plant, Budd Inlet Reclaimed Water Plant, Martin Way Reclaimed Water Plant, Hawks Prairie Reclaimed Water Ponds and Recharge Basins, a reclaimed water storage tank, three major pump stations, 22 miles of sewer interceptor lines, and 11 miles of reclaimed water pipelines. Portions of the Budd Inlet Treatment Plant are over 50 years old, and major upgrades to the plant have been ongoing for the past several years.



To sustain the Budd Inlet Treatment Plant and other facilities, LOTT operates under a continual cycle of planning, designing, and completing numerous capital projects. Many of these projects are large-scale, span multiple years, and require substantial investment. LOTT revenue needs are driven primarily by the cost of this capital construction. Of the three cost centers shown in the chart, two – debt service and capital expense – exist to fund the total cost of capital construction. For 2025-2026, LOTT's combined infrastructure investment (debt service plus capital costs) represents approximately 71% of total expense, with operating costs representing approximately 29%.

With large-scale capital project commitments, the Board of Directors must consider budget decisions based on long-term financial planning. LOTT uses a customized finance planning tool to track anticipated expenses into the future, develop a capital finance plan that provides sufficient funds for capital projects, and balance the source of funds between rate income and borrowed dollars. Continual efforts are made to identify and implement cost-saving measures and minimize LOTT's debt, reducing costs to ratepayers from interest and other expenses associated with borrowing money. The results of this approach have been excellent. LOTT's service charge remains below the average for the region.

The Projected Budget Summary table on the following page shows anticipated expenses for each biennium in the current six-year planning period.

With large-scale capital project commitments, the Board of Directors must consider budget decisions based on long-term financial planning.

Projected Budget Summary 2025-2030

REVENUE	2025-2026 Budget	2027-2028 Budget	2029-2030 Budget
Wastewater Service Charge	$80,508,448	$87,997,206	$96,175,156
Capacity Development Charge	$16,003,817	$17,139,266	$18,183,039
Miscellaneous Revenue	$8,633,119	$1,572,023	$1,281,450
Net Revenue from Rates and Charges	**$105,145,384**	**$106,708,494**	**$115,639,645**
Debt Funding	$10,000,000	$10,000,000	$15,000,000
Use/(Saving) of Cash on Hand	$15,484,027	$4,968,174	($1,579,172)
Total Resources	**$130,629,411**	**$121,676,669**	**$129,060,473**
EXPENSES	**2025-2026 Budget**	**2027-2028 Budget**	**2029-2030 Budget**
Net Operating Expense	$38,435,562	$43,464,708	$48,674,578
Debt Service	$16,308,150	$13,900,379	$13,679,975
Capital Expense	$75,885,699	$85,624,361	$66,705,920
Total Expenses	**$130,629,411**	**$121,676,669**	**$129,060,473**

LOTT's primary sources of revenue are the monthly Wastewater Service Charge and the Capacity Development Charge for new connections.

Revenue, Rates, and Fee Summary

LOTT's primary sources of revenue are the monthly Wastewater Service Charge, and the Capacity Development Charge for new connections. LOTT also receives miscellaneous revenues from other sources.

Wastewater Service Charge

The Wastewater Service Charge (WSC) is 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. The WSC is assessed based on the number of equivalent residential units of each connection. The LOTT charge is included on the customers' utility bills, which are sent out by LOTT's partner cities. Each city also assesses a separate charge on utility bills for costs associated with maintaining their city-owned sewer collection systems.

Because approximately 71% of LOTT's expenses are related to the capital budget, a 3% inflationary adjustment aligned with construction industry data is planned for the WSC and the CDC rates each year 2025-2030. The annual adjustment was first established by the LOTT Board of Directors in 2012 as part of a comprehensive capital finance plan to ensure the utility keeps pace with escalating construction costs over time and is able to adequately fund LOTT's Capital Improvements Plan. This steady approach to rate adjustments was designed by the Board to keep rate adjustments modest and predictable and to avoid the need for dramatic, unforeseen rate increases.

The 3% annual adjustment was reviewed by the Board during both the 2025-2030 strategic planning process and the 2025-2026 budgeting process and found to be necessary. Large-scale capital improvements projects must be completed within the next few years to replace critical, aging infrastructure and ensure LOTT's continued ability to meet its mission. The adjustments allow LOTT to complete these projects despite inflation and rising construction costs. Inflation is currently higher than the 3% adjustment; however, LOTT's finance plan and steady approach to rate adjustments has allowed LOTT to weather the impact without the need to deviate from the planned adjustment. The Board will further evaluate the effects of inflation when setting rates for the next biennium.

For 2025, the monthly rate will be $47.52, increasing by $1.38 from the 2024 rate. For 2026, the monthly rate will be $48.95.

Capacity Development Charge

The Capacity Development Charge (CDC), also described as a connection fee or hook-up fee, is used to build projects that add new capacity to treatment plants, larger sewer lines, and related projects that increase LOTT's ability to serve new customers. The CDC is assessed based on equivalent residential units.

The fee for new connections in 2025 will be $7,434.99, and in 2026, will be $7,806.74. For each year, this reflects the 3% inflationary adjustment and a 2% adjustment to account for costs associated with a pilot affordable housing support program.

Miscellaneous Revenue

LOTT also receives revenues from other sources, such as interest on cash deposits. During the 2025-2026 biennium, LOTT anticipates selling properties that have been identified as no longer required for utility purposes. At least three properties are planned for sale, which are projected to generate approximately $6 million. This one-time revenue is anticipated to be needed for future property purchases to support long-term management strategies identified in the 2050 LOTT System Plan.

Revenue Projections and Analysis

Both the WSC and the CDC are measured in terms of equivalent residential units (ERUs). In general, an ERU is one single family residence for residential customers, or 900 cubic feet of wastewater for non-residential customers. Throughout the past several budget cycles, ERUs have seen stable growth. For the 2025-2026 biennium, growth in ERUs is estimated at 1.5% per year. When combined with the planned adjustments to rates, revenue from the WSC is projected to increase approximately 5.5% per year.

For the CDC, growth in the number of new ERUs has historically averaged approximately 1,000 per year, but was less than expected in the prior biennium. The estimate for new ERUs in the 2025-2026 biennium is 1,050 each year, which is anticipated to result in overall CDC revenue similar to the prior biennium.

Wastewater Rate Comparisons

The LOTT Clean Water Alliance is frequently asked about monthly service rates. Some residents have the impression that rates are high, but in fact, LOTT wastewater rates are below the regional average. In addition, LOTT provides the highest level of wastewater treatment in the Puget Sound region, offering good value to the community for the investment. Concerns are sometimes raised, however, for several reasons:

- Some new residents have moved here from areas of the country with less stringent treatment requirements and lower utility costs.
- Bills for wastewater services are sent for a two-month time period, making the overall bill appear higher.
- Drinking water service fees, which are by contrast lower, appear on the same bill, making wastewater fees seem disproportionately higher.

Wastewater treatment is, in general, an expensive business. LOTT treats an average of 12 million gallons of wastewater each day. The water must be treated to high standards to meet state permit requirements and be safely released into the environment. This requires a complex system of infrastructure – pipelines, pump stations, treatment plants, and related equipment – that must be up and running 24 hours a day, 7 days a week.

By contrast, local drinking water services are considerably less expensive. This is due to the fact that our region enjoys a stable supply of high quality groundwater to meet drinking water needs. This water generally requires only minimal treatment. Rates for drinking water and for wastewater services can seem disproportionate, but are mainly due to the vast differences in the amount and complexity of treatment involved in each.

Part of the cost of wastewater treatment comes from our communities' location along Puget Sound. The U.S. Environmental Protection Agency (EPA) requires states to comply with the federal Clean Water Act by identifying water bodies that do not meet water quality standards and developing action plans to bring those waters into compliance. Puget Sound, and more specifically Budd Inlet, are water quality impaired. The Washington State Department of Ecology has placed stringent requirements on LOTT to reduce the amount of nitrogen and biochemical oxygen demand discharged into Budd Inlet. LOTT was the first plant along Puget Sound required to treat wastewater to advanced secondary standards to remove nitrogen from the water. This high level of treatment adds technological complexity and cost to the operation of LOTT's main treatment facility.

LOTT is a recognized leader in wastewater treatment in the state. The Budd Inlet Treatment Plant remains one of the only treatment plants employing biological nutrient removal on Puget Sound. This advanced nitrogen removal technology is likely to be required of most major plants along Puget Sound in the future, potentially resulting in major rate increases for those communities. LOTT also operates an advanced membrane biological reactor system at the Martin Way Reclaimed Water Plant, which was one of the first membrane plants in the state producing Class A Reclaimed Water. This same technology is now being developed by several communities in our region to meet ever more stringent treatment requirements, and may require significant increases to their rates.

LOTT conducts an informal survey every two years to see how its residential rates compare with other communities. Some utilities, like LOTT, use a flat rate structure and others use a volume-based structure. To even out the different structures, all of the surveyed rates were compared assuming a conservation value of 700 cubic feet (or 5,236 gallons) per month for an equivalent residential unit. The current survey, conducted in 2024, shows that our monthly charges are lower than the average. Given LOTT's lower than average rates, and the advanced treatment already provided, LOTT ratepayers are receiving a high value for the investments they are making. LOTT strives to ensure its service charges are reasonable and affordable, and the rate survey indicates it is meeting that objective when compared to other utilities in the region.

Wastewater Rate Comparisons

	2024 Rate	2023 Rate	Percent Change	Flat or Volume	2024 Rank	2023 Rank
City of Shelton	$135.89	$130.02	4.5%	V	1	1
City of Seattle	$128.10	$123.41	3.8%	V	2	4
City of Tenino	$125.66	$125.66	0.0%	F	3	3
Thurston County*	$120.31	$119.71	0.5%	F	4	5
City of Bonney Lake	$113.53	$129.01	-12.0%	V	5	2
City of Bellevue	$110.90	$103.70	6.9%	V	6	6
City of Chehalis (in city limits)	$98.50	$98.50	0.0%	V	7	7
City of Centralia (in city limits)	$91.85	$89.08	3.1%	V	8	9
City of Yelm	$89.27	$89.27	0.0%	F	9	8
City of Renton	$88.78	$84.80	4.7%	F	10	11
City of Everett	$87.53	$87.53	0.0%	F	11	10
Average	**$87.38**	**$85.12**	**2.7%**			
City of Auburn	$85.15	$80.05	6.4%	F	12	14
City of Sumner	$84.46	$80.83	4.5%	V	13	13
City of Snoqualmie	$83.76	$82.16	1.9%	F	14	12
City of Puyallup	$77.62	$73.38	5.8%	V	15	17
City of Bremerton (in city limits)	$77.57	$74.96	3.5%	V	16	16
City of Lacey	**$76.39**	**$72.43**	**5.5%**	**F**	**17**	**18**
City of Longview (in city limits)	$75.28	$75.28	0.0%	V	18	15
City of Tacoma	$74.85	$69.64	7.5%	V	19	20
City of Olympia	**$72.95**	**$70.59**	**3.3%**	**F**	**20**	**19**
City of Aberdeen	$72.00	$66.00	9.1%	F	21	23
City of Kelso	$70.42	$68.37	3.0%	F	22	21
City of Tumwater	**$69.48**	**$66.64**	**4.3%**	**F**	**23**	**22**
City of Orting	$69.41	$64.87	7.0%	F	24	24
City of Mount Vernon	$63.03	$60.23	4.6%	V	25	25
Pierce County Sewer	$61.57	$59.06	4.2%	F	26	26
Lakehaven Sewer District	$60.60	$52.24	16.0%	V	27	29
City of Bellingham (in city limits)	$56.43	$53.54	5.4%	F	28	27
City of Edmonds	$53.06	$53.06	0.0%	F	29	28
City of Vancouver	$48.44	$45.71	6.0%	V	30	30

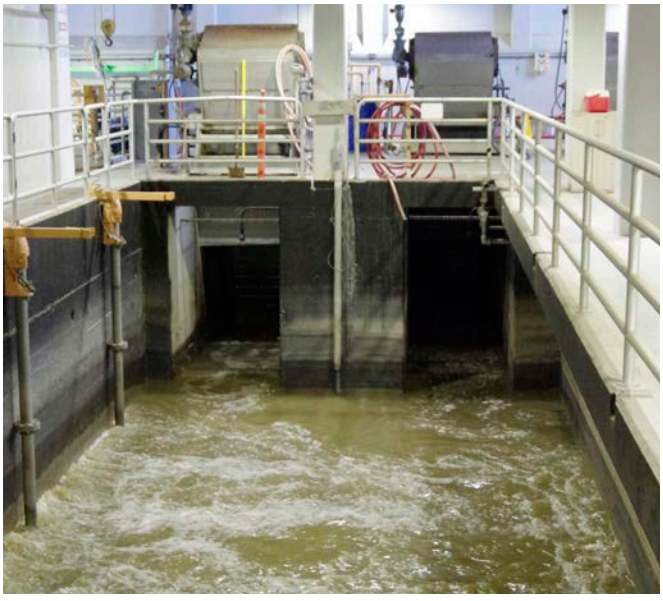
* Thurston County utilities are combined into a single line in the table. Actual 2023 and 2024 amounts are: Tamoshan: $147.36, $152.10; Boston Harbor: $119.10, $117.67; Olympic View: $114.14, $114.14; Grand Mound: $100.62, $94.91.

Cost Allocation

Operating costs are paid out of Wastewater Service Charge (WSC) revenue; capital projects and debt service are paid from both WSC and Capacity Development Charge (CDC) revenues. The allocation between these funds depends on the type of project involved, as specified by the Interlocal Cooperation Act Agreement for Wastewater Management.

The primary purpose of the CDC is to pay for new capacity in the system and to ensure that growth pays for growth. This was one of the guiding principles in the development of the interlocal agreement. The LOTT Board determined that the costs assigned to the CDC should reflect the full spectrum of construction, interest on debt, costs for staff, and related ancillary costs to support new capacity development. Because LOTT strategically develops new capacity as it is needed, the utility invests significant staff time and other resources in ongoing activities, such as planning, engineering, land acquisition, permit acquisition, public involvement, and other project-related activities.

It is important to recognize that the CDC is adjusted over the life of the Capital Improvements Plan (CIP) and is not used for short-term revenue adjustments. When conditions require short-term revenue adjustments for capital projects, the WSC must be raised to meet costs as required by the interlocal agreement. Over time, the two funding sources are reviewed to ensure that system costs and new capacity costs are applied to the appropriate projects.



LOTT strategically develops new capacity as it is needed.

The estimated costs and revenues are balanced over the life of the CIP, and the Board of Directors reviews these costs each biennium to determine if adjustments are needed.

LOTT has completed a comprehensive review of its approach to cost allocation, originally referred to as a cost of service study. This work involved separate analyses completed over several years, including evaluation of:

- The basic unit of measurement (the equivalent residential unit or ERU) used for billing
- Cost centers and cost allocations employed in LOTT's accounting practices
- Benefits and challenges of volume-based billing
- Wastewater service rates in the context of long-term system growth and operating expenses
- Capacity development charge rates in the context of the long-term system growth and capital expenses

Results of these analyses indicated that LOTT's current approach is valid. The ERU basis of billing remains the industry standard; the current approach of flat-rate residential billing and volume-based commercial billing is still appropriate; WSC and CDC rates fit well with projected growth and anticipated long-term expenses, and LOTT's approach to cost allocation remains appropriate. The 2050 LOTT System Plan anticipates a future in which capital improvements to expand reclaimed water production will be driven by partner jurisdiction demand for the resource, rather than strictly capacity-driven. Adjustments in cost allocations may be needed to accommodate this "new" type of project, but for now, the existing categories and allocations work well.

Emergency Reserves

One of LOTT's Board-directed goals is to maintain six months of operating expenses and additional reserves for emergency capital expenditure. These amounts are separate from, and in addition to, reserves required by debt covenants. For 2025 and 2026 emergency reserves will include:

- $3 million for emergency capital expenditures
- $12.8 million (approximately) in emergency operating reserves

LOTT actively manages projects and programs to identify efficiencies and cost-savings, minimize expenses, and limit the need to increase rates.

Cost Efficiency

LOTT operates under a set of guiding principles that includes practicing effective utility management in a responsible, responsive, cost-effective, and resilient manner. Toward that goal, LOTT actively manages projects and programs to identify efficiencies and cost-savings, minimize expenses, and limit the need to increase rates. Cost control takes vigilance and effort, and is an integral aspect of how LOTT does business. LOTT cannot prevent the rising cost of supplies and labor, but makes every effort to minimize capital and operational costs through a variety of efforts, including:

- Asset Management – The Asset Management Program inventories LOTT's equipment, processes, and systems to proactively identify and schedule needed repairs and replacements. This program protects LOTT's assets and extends their useful life.
- Debt Management – LOTT strives to obtain low-cost debt financing when appropriate to help keep rates as stable as possible. The interest rate on existing debt is less than 2% for all outstanding issues.
- Business Case Evaluation – Value engineering by a team of technical staff ensures that each project is designed and built efficiently and effectively. Projects are scheduled over time, and rearranged on the CIP, so as not to exceed available financial and staffing resources.
- Energy Reduction Efforts – LOTT completes a comprehensive greenhouse gas emissions (GHG) inventory each year to track energy reduction progress over time. This work is shared with the Thurston Climate Mitigation Collaborative to track progress toward community-wide GHG reduction goals. The Biological Process Improvements project, completed in 2023, resulted in significant energy savings at the Budd Inlet Treatment Plant, and a solar array is being installed as part of the Centrate Building Rehabilitation to further energy gains. A climate action assessment is also underway to identify potential future energy and GHG reduction efforts.
- Human Resource Management – LOTT strives to make the most of staffing levels, realigning workloads and resources to create efficiencies. Investment in a proactive knowledge management program is helping create training tools and succession plans to effectively prepare future employees with the specialized technical knowledge needed in this industry.

Capital Improvements Planning

LOTT operates under a National Pollution Discharge Elimination System (NPDES) permit that is issued by the Washington State Department of Ecology for the U.S. Environmental Protection Agency (EPA). LOTT must meet all permit requirements, as well as expectations of federal and state agencies regarding responsible utility management. The EPA has developed the Capacity, Management, Operation, and Maintenance Program that requires wastewater utilities to demonstrate they have a comprehensive, long-term plan for maintaining existing utility infrastructure and meeting future system needs. LOTT meets that expectation through development of an organizational Strategic Plan every six years, and through continual review and adjustment of the Capital Improvements Plan (CIP). The CIP, prepared each biennium, is submitted to the Department of Ecology, along with a three-part Capacity Report, as part of permit requirements.

Continuous planning is key to this process and allows LOTT to sustain existing infrastructure and build new infrastructure to meet projected future capacity needs. One of the first steps in planning capital improvements is gathering information about the condition of existing infrastructure, repair and replacement needs, current system capacity, and needs for additional capacity in the future. Data gathered includes:

- Asset management data, such as system condition, criticality, useful life, and replacement cost
- Population forecasts from the Thurston Regional Planning Council
- Recently added sewer pipelines
- Anticipated septic tank conversions to the sewer system
- Flow monitoring results
- Planned development

The asset management data is used to identify and prioritize projects necessary to sustain existing treatment, conveyance, and discharge equipment and facilities. Portions of LOTT's main treatment facility, the Budd Inlet Treatment Plant, are over 50 years old. The plant involves a complex maze of piping and thousands of assets that must be maintained properly to keep the plant running. Asset management is a proactive approach to sustaining the plant and LOTT's other infrastructure, allowing the utility to keep ahead of needed maintenance and avoid unexpected, and potentially catastrophic, system failures.

Capacity-related data is modeled in a geographic information system (GIS) to develop population growth forecasts and predict associated wastewater flows and loadings spatially throughout the system. This information is used to develop a three-part Capacity Report, which helps identify and prioritize capital projects for inclusion in the CIP. Based on this report, LOTT identifies needs within the system and develops projects to meet those needs.

All this information funnels into the CIP, which lists projects anticipated over the short- and long-term.

Capacity Report

LOTT's Capacity Report is updated every two years, and is available on LOTT's website at www.lottcleanwater.org. The report contains three sections:

Flows and Loadings Report analyzes residential and employment population projections within the urban growth area, and estimates the impact on wastewater flows and loadings in the LOTT wastewater system.

Inflow & Infiltration and Flow Monitoring Report uses dry and wet weather sewer flow monitoring results to quantify the amount of unwanted surface stormwater (inflow) and subsurface groundwater (infiltration) entering the sewer system, and prioritizes sewer line rehabilitation projects.

Capacity Assessment Report analyzes system components to determine when limitations will occur and provides a timeline for new and upgraded system components.

Capital Project Categories

LOTT's Capital Improvements Plan is built around four major project categories. Understanding these categories, and the types of projects within them, provides a general understanding as to how they are funded. Each individual project is assessed regarding the proportion of existing system/new capacity benefits, and is funded through a combination of WSC/CDC funds that reflects that proportion.

System Upgrades

System Upgrade projects include improvements to existing facilities. Upgrades are necessary to replace outdated equipment, improve efficiency, and in some cases, to meet higher water quality standards. One of the public values guiding LOTT's operations is to maximize use of existing facilities before building new ones. These projects are funded primarily from monthly rates.

New Capacity

New Capacity projects are those that provide new facilities to serve added wastewater flows. LOTT is continuously planning for new system capacity, to be built "just in time" to ensure that future demands are met. This approach allows LOTT to adapt to changing conditions and take advantage of the most up-to-date treatment technologies. LOTT considers three types of capacity when describing its overall operational capacity – treatment capacity, discharge and use capacity, and conveyance capacity. New capacity projects are funded primarily from new connection fees.

Asset Management (Repair, Rehabilitation, and Replacement)

When systems or equipment reach the point where repairs are no longer cost-effective, they can be rehabilitated (overhauled) to a usable condition or they can be replaced. These projects are funded primarily from monthly rates.

Support Services and Projects

Support Services and Projects provide planning information and services that support projects in all categories. They include the ongoing flow monitoring and flow reduction programs, property acquisition, and special studies and projects that support LOTT's long-range Capital Improvements Plan. Engineering and staff costs allied with the Capital Improvements Plan are also included in this category. These projects are funded primarily from monthly rates.

CIP Overview and Organization

The Capital Improvements Plan (CIP) represents all major capital projects in the foreseeable future. It is revised each biennium based on updated capacity reports, asset management evaluations, and other changing conditions.

The CIP is divided into two sections – short-term and long-term. Each section is summarized in a table.

- 2025-2030 CIP – This six-year CIP groups projects by category. It includes a Capital Budget column showing anticipated spending for 2025 and 2026 for each project. Following the table, a project summary page is provided for each project in the short-term plan.
- 2031-2037 and beyond – The longer-range table divides projects by operational systems, based on asset management life-cycle investments needed to meet the expected build-out condition of the entire Lacey-Olympia-Tumwater service area.

Capital Budget and Short-Term CIP Summary

	2025-2026 Budget	2025-2030 CIP
System Upgrades	$37,386,379	$111,513,353
New Capacity	$12,891,491	$39,262,528
Asset Management	$4,389,880	$14,832,782
Support Services and Projects	$21,217,949	$62,607,316
Total	**$75,885,699**	**$228,215,980**

Capital Budget and Capital Improvements Plan

2025-2026 Capital Budget

Summary Page		Year Start	Year Complete	2025-2026 Expenditure	2025-2030 CIP
	System Upgrade Projects			**$37,386,379**	**$111,513,353**
	Budd Inlet Treatment Plant				
16	Supplemental Carbon System Upgrade	2024	2026	$754,706	$754,706
17	Alkalinity Adjustment Facility	2025	2026	$616,036	$616,036
18	Centrate Building Rehabilitation	2023	2025	$2,071,799	$2,071,799
19	Digester System Improvements Phase 2	2023	2028	$25,844,657	$44,503,910
20	Biogas Utilization Upgrades	2023	2030	$231,405	$17,394,739
21	Odor Control Upgrades	2028	2030	$0	$2,314,573
	Conveyance				
22	Martin Way Pump Station Improvements	2024	2028	$4,276,692	$29,355,524
23	Force Main Air Valve Replacement	2023	2026	$1,758,457	$1,758,457
24	Capitol Lake Pump Station Wet Well Coatings	2023	2025	$1,063,732	$1,063,732
25	Collection System Management Program	2008	2030	$418,180	$1,793,682
	Martin Way Reclaimed Water Plant				
26	Reclaimed Water Plant Upgrades	2025	2030	$350,714	$9,886,193
	New Capacity Projects			**$12,891,491**	**$39,262,528**
27	Reclaimed Water Capacity Development	2025	2027	$916,663	$1,077,048
28	Influent Pumping and Emergency Power Improvements	2024	2030	$1,020,090	$27,124,001
29	North Pipeline Upgrades	2023	2026	$9,308,152	$9,308,152
30	Thickened Sludge Pumping Capacity Expansion	2023	2025	$907,070	$907,070
31	Primary Sludge Pumping Capacity Expansion	2023	2027	$739,515	$846,257
	Asset Management Projects			**$4,389,880**	**$14,832,783**
32	General Equipment Repair and Replacement	2009	2050	$2,691,616	$8,576,590
33	Instrumentation and Controls Replacement	2012	2050	$494,612	$1,576,036
34	Substation and Switchgear A/B Replacement	2023	2026	$823,425	$823,425
35	Final Effluent Pumping Improvements	2029	2033	$0	$2,778,816
36	Facility Roof Repair and Replacement	2016	2050	$380,227	$1,077,915

2025-2026 Capital Budget *(continued)*

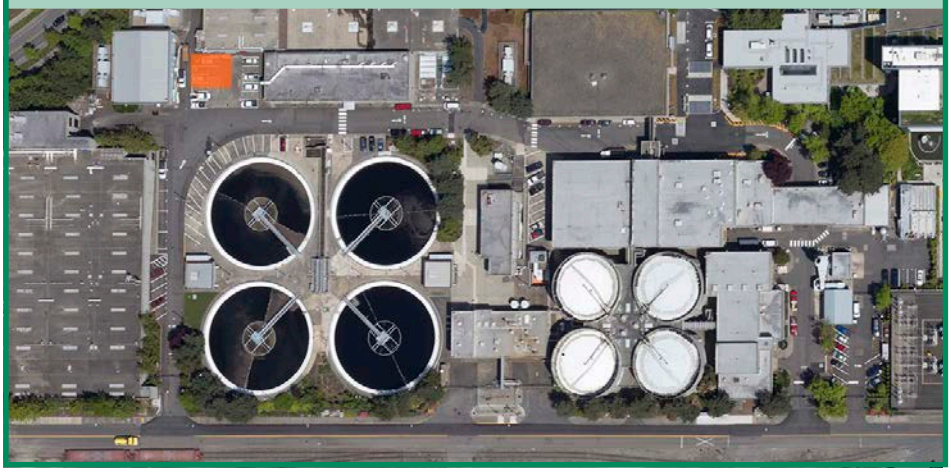
Summary Page		Year Start	Year Complete	2025-2026 Expenditure	2025-2030 CIP
	Support Services and Projects			**$21,217,949**	**$62,607,316**
37	Annual Miscellaneous Professional Services	2006	Ongoing	$455,463	$1,480,918
38	Engineering Project Support	2006	Ongoing	$5,373,241	$16,939,142
39	Facilities Project Support	2006	Ongoing	$3,346,299	$10,549,206
40	Administrative Project Support	2006	Ongoing	$4,508,518	$14,213,104
41	Flow Monitoring Program	2006	Ongoing	$334,416	$1,065,587
42	WET Center Exhibit Updates	2011	Ongoing	$500,000	$500,000
43	Information Technology Upgrades	2014	Ongoing	$1,484,057	$2,644,120
44	Climate Action and Sustainability Program	2014	Ongoing	$445,355	$1,419,084
45	Future Technologies Pilot Program	2022	Ongoing	$263,900	$840,893
46	Miscellaneous Small Projects	2006	Ongoing	$835,700	$1,928,998
47	Property Acquisition	2001	Ongoing	$2,000,000	$5,000,000
48	Occupied Space and Facilities Improvements	2019	Ongoing	$406,000	$1,293,682
49	Water Stewardship Programs	2025	2030	$130,000	$390,000
50	Deschutes Estuary Restoration Agreement	2027	Ongoing	$0	$817,581
51	Water Quality and Habitat Improvement	2006	2030	$175,000	$525,000
52	Septic Conversion Incentive Program	2017	2030	$360,000	$1,200,000
53	Affordable Housing Support Program	2023	2030	$500,000	$1,500,000
54	Sea Level Rise Response	2017	Ongoing	$100,000	$300,000
	Total			**$75,885,699**	**$228,215,980**

LOTT funds ongoing efforts to identify and support water quality and habitat improvement projects.

Supplemental Carbon System Upgrade

Project Type	System Upgrade
Location	Budd Inlet Treatment Plant
Description	The biological nutrient removal process needs supplemental carbon at times to operate efficiently. The existing system, which uses methanol, is being demolished as part of the Digester System Improvements Phase 2 project. This project involves the evaluation and installation of a new system utilizing a safer and more environmentally friendly replacement carbon source.
Background	In 2022, LOTT successfully pilot tested a carbon product as an alternative to the use of methanol. Methanol requires special care and handling because it is highly flammable. Using an alternative source eliminates the need to install a costly fire suppression system, improves safety for staff and the public, and lowers LOTT's carbon footprint.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2024	2026	$754,706	$754,706



Alkalinity Adjustment Facility

Project Type	System Upgrade
Location	Budd Inlet Treatment Plant
Description	To operate efficiently, the biological nutrient removal process requires a consistent pH. The project adds a storage and feed system to allow the dosing of magnesium hydroxide, a pH buffer, to minimize pH fluctuation.
Background	In 2022 and 2023, LOTT piloted several products for alkalinity adjustment, including calcium carbonate and magnesium hydroxide. The magnesium hydroxide option proved effective, and the resulting alkalinity control enhanced nitrification capacity and improved energy efficiency by reducing aeration demand.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2025	2026	$616,036	$616,036

Centrate Building Rehabilitation

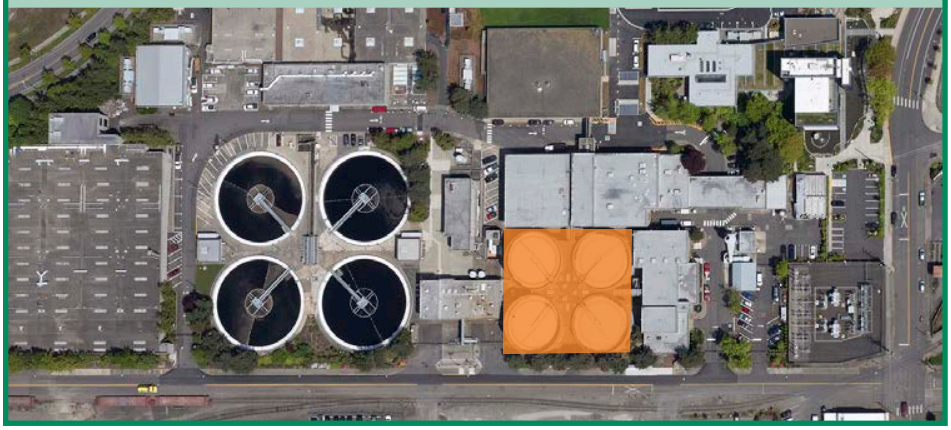
Project Type	System Upgrade
Location	Budd Inlet Treatment Plant
Description	This phase of the centrate management system upgrade includes replacement of the roof, refurbishment of the interior steel beams and columns, seismic retrofits, odor control system replacement, and electrical upgrades.
Background	Centrate is the liquid removed during the solids dewatering process. With the addition of new primary sedimentation basins in 2017, use of the original basins was converted to storage and management of centrate, which is high in ammonia. This is the second phase of work to repurpose the basins for additional equalization storage and better management of centrate loading to the secondary treatment process.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2023	2025	$2,071,799	$2,071,799

Digester System Improvements Phase 2

Project Type	System Upgrade
Location	Budd Inlet Treatment Plant
Description	The project includes refurbishment of aging components associated with the sludge digestion system. Improvements include replacement of the digesters' floating covers with fixed covers, upgrades to the sludge mixing system, replacement and relocation of the emergency waste gas burner, and replacement of aging mechanical equipment.
Background	The digesters were constructed in 1982 and much of the associated equipment is reaching the end of its useful life. There are four digesters, with three in-service and one off-line at any one time. This project will follow a rotational schedule to complete upgrades to one digester at a time.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2023	2028	$25,844,657	$44,503,910



Biogas Utilization Upgrades

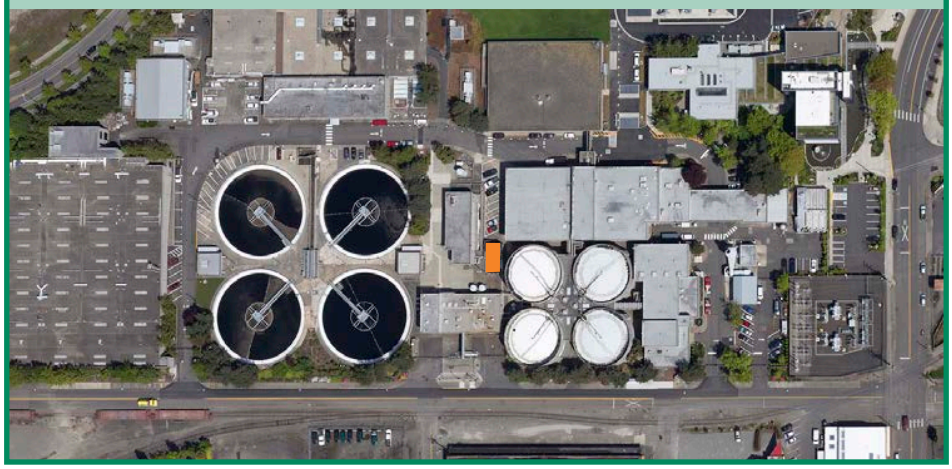
Project Type	System Upgrade
Location	Budd Inlet Treatment Plant
Description	This project will further evaluate biogas utilization options identified through a business case evaluation completed in 2024. Upgrade options could include replacement of the existing engine generator or installation of an alternative system to optimize the use of biogas as a resource. The evaluation will incorporate operational data following the digester system improvements, which are anticipated to increase gas production.
Background	The Jenbacher engine generator was originally installed in 2009 as part of a Puget Sound Energy grant. The engine was overhauled in 2018 and again in 2024, and has a normal service life of seven years before it must be overhauled again or replaced.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2023	2030	$231,405	$17,394,739

Odor Control Upgrades

Project Type	System Upgrade
Location	Budd Inlet Treatment Plant
Description	This project includes improvements to the headworks, solids, and maintenance building air handling systems. It also includes modifications to consolidate foul air flows to the south odor scrubber, eliminating the need to replace the north odor scrubber.
Background	The north scrubber equipment was originally installed in the early 1980s to treat foul air from the equalization basins. Plant upgrades since then have reduced the volume of fowl air to the north scrubber, allowing for consolidation of air handling to the south scrubber. The south scrubber was installed in 2003 and is in good condition.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2028	2030	$0	$2,314,573



Martin Way Pump Station Improvements

Project Type	System Upgrade – Conveyance
Location	Martin Way Pump Station
Description	The project expands the Martin Way Pump Station, replacing aging infrastructure and increasing its pumping capacity to accommodate projected growth in the service area.
Background	The Martin Way Pump Station conveys flows from Lacey to the Budd Inlet Treatment Plant. It also sends raw wastewater to the Martin Way Reclaimed Water Plant. The pump station was originally constructed in 1991 and upgraded in 2004. Much of the equipment is undersized and reaching the end of its useful life.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2024	2028	$4,276,692	$29,355,524

Force Main Air Valve Replacement

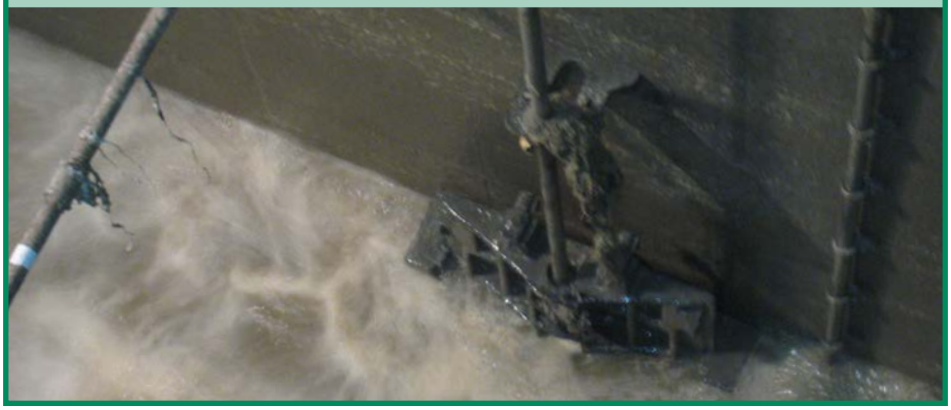
Project Type	System Upgrade – Conveyance
Location	Collection System
Description	The project replaces approximately 50 force main valves that are in poor condition and includes repairs and modification to some of the vaults to prevent flooding.
Background	Air inlet release and vacuum release valves are necessary to protect pressurized pipe systems. Through a comprehensive force main condition assessment, LOTT identified the valve replacements and improvements needed to wastewater force main pipelines and reclaimed water pipelines.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2023	2026	$1,758,457	$1,758,457

Capitol Lake Pump Station Wet Well Coatings

Project Type	System Upgrade – Conveyance
Location	Capitol Lake Pump Station
Description	Coatings of wet wells protect the concrete from degradation caused by the presence of hydrogen sulfide. This project involves replacing the coatings in the Capitol Lake Pump Station wet wells, which have begun to fail, creating the risk of wet well deterioration and pump blockages.
Background	Wet well coatings were installed at the Capitol Lake Pump Station in 1999, however, moisture from groundwater intrusion prevented proper adhesion. New wet well coatings will increase the lifespan of the concrete, as well as ladders and other metal components within the wet wells.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2023	2025	$1,063,732	$1,063,732



Collection System Management Program

Project Type	System Upgrade – Conveyance
Location	Systemwide
Description	This includes the ongoing monitoring and rehabilitation of sewer lines and maintenance holes within the LOTT collection system. It ensures federal compliance with capacity management, operations, and maintenance standards and is an integral part of LOTT's Asset Management Program. Annual activities include closed circuit televised inspection and condition assessment, which is used to identify needed repairs and replacements.
Background	LOTT currently owns and maintains approximately 22 miles of gravity sewer lines, 8 miles of force mains, and 325 maintenance holes. The collection system management program provides an efficient and systematic approach to inspection, maintenance, repair, and replacement of LOTT's collection system assets.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2008	2030	$418,180	$1,793,682

Martin Way Reclaimed Water Plant Upgrades

Project Type	System Upgrade
Location	Martin Way Reclaimed Water Plant
Description	This project involves a number of improvements to the treatment plant to replace aging infrastructure and improve operational reliability. Improvements include valve replacement, improvements to automation, and upgrades to the electrical and control systems.
Background	Since the Martin Way Reclaimed Water Plant first came on-line in 2006, reclaimed water demand in the system has increased significantly, making continuous operation increasingly important. These upgrades, including replacement of an obsolete control system, will enhance operations and reliability.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2025	2030	$350,714	$9,886,193

Reclaimed Water Capacity Development

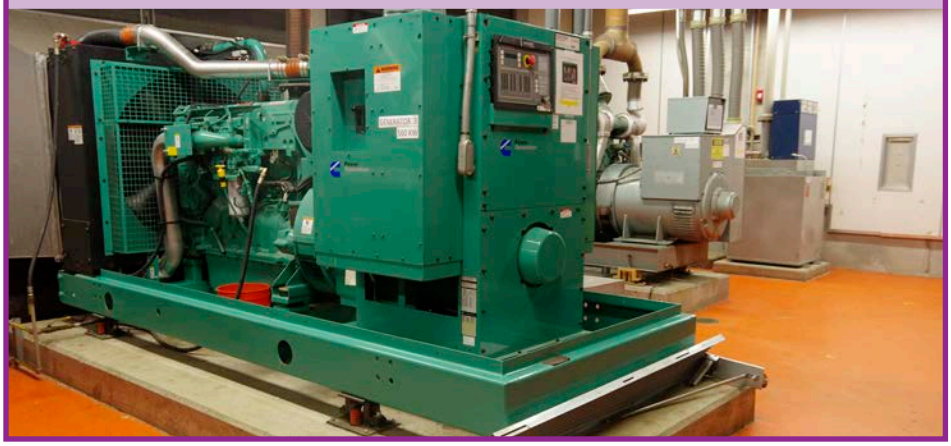
Project Type	New Capacity
Location	Systemwide
Description	This effort includes planning associated with expansion of LOTT's reclaimed water system. This could include evaluations of treatment technologies, conveyance routes, reuse opportunities, and site assessments for potential groundwater recharge sites. One such project is a possible demonstration pilot to treat water to Class A+ potable water quality, in collaboration with the partner jurisdictions and Washington State Departments of Health and Ecology.
Background	The 2050 LOTT System Plan looks to new opportunities to address future system capacity needs, including employing enhanced treatment technologies at the Budd Inlet Treatment Plant. However, expansion of reclaimed water production, reuse, and recharge may also be pursued in the future with LOTT's partner jurisdictions' increasing interests in reuse and recharge as the primary driver.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2025	2027	$916,663	$1,077,048

Influent Pumping and Emergency Power Improvements

Project Type	New Capacity
Location	Budd Inlet Treatment Plant
Description	The influent pump station consists of four pumps, each capable of pumping 18 million gallons per day. This project replaces the pumps to increase pumping capacity, reliability, and redundancy. The project also involves replacement of old emergency standby generators located in the same area. This work provides opportunity to expand back-up power to additional treatment processes and improve redundancy.
Background	The influent pump station must lift and pump all the flow entering the Budd Inlet Treatment Plant to convey it to the primary sedimentation basins. Replacement of the influent pumps, originally installed in 1992, will improve pumping capacity to better manage high flow events associated with more frequent and intense storm events. The existing standby generators were installed in 1982 and 2004 and are in need of replacement.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2024	2030	$1,020,090	$27,124,001

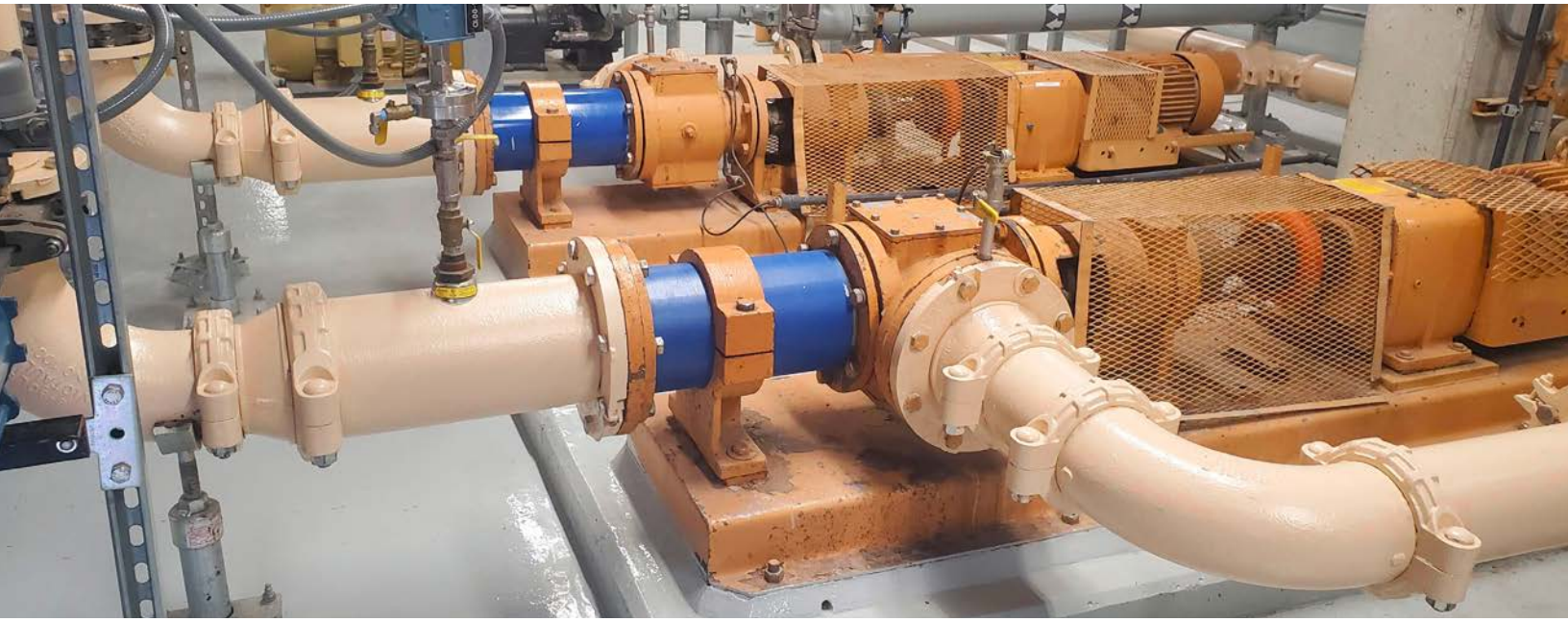


North Pipeline Upgrades

Project Type	New Capacity
Location	Budd Inlet Treatment Plant
Description	This project upgrades a 1,250-foot section of north outfall pipeline from 30-inch to 48-inch diameter pipe to increase hydraulic pumping capacity. The pipeline runs north from the treatment plant, through the Port of Olympia log yard and Cascade Pole site, to the northernmost point of the Port peninsula.
Background	The original 30-inch diameter north outfall pipeline was constructed in 1952. In 1992 the outfall was replaced with a 48-inch pipeline, with the exception of a lined section running through the contaminated soils of the Cascade Pole site. That section is a hydraulic bottleneck, limiting outfall capacity. This project will resolve the bottleneck and improve LOTT's ability to manage high flow events.

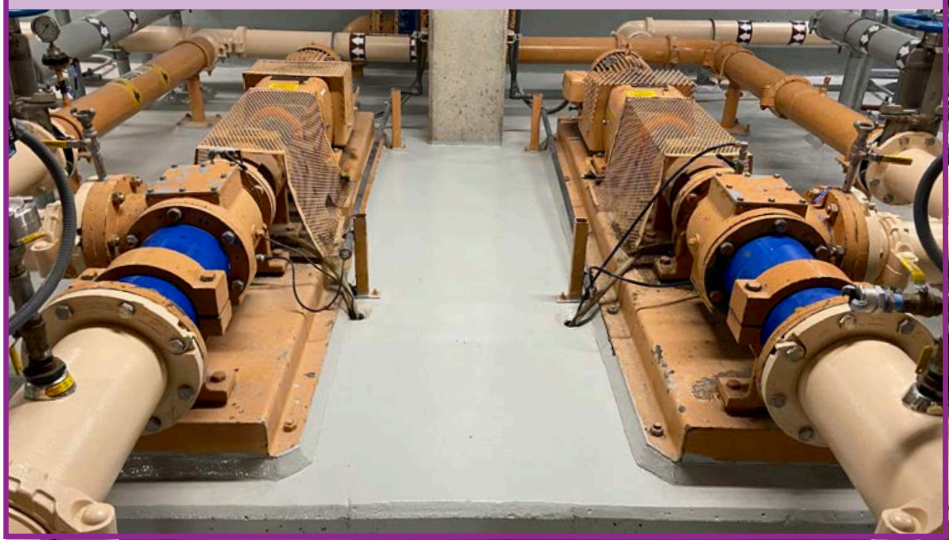
Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2023	2026	$9,308,152	$9,308,152

Thickened Sludge Pumping Capacity Expansion



Project Type	New Capacity
Location	Budd Inlet Treatment Plant
Description	This project represents the third phase of sludge thickening system improvements. It involves replacing aging sludge pumps to increase pumping capacity and energy efficiency.
Background	Thickened sludge pumps move sludge from the dissolved air flotation thickener tanks into the digesters. These pumps were installed in the 1980s and have reached the end of their useful life.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2023	2025	$907,070	$907,070



Primary Sludge Pumping Capacity Expansion

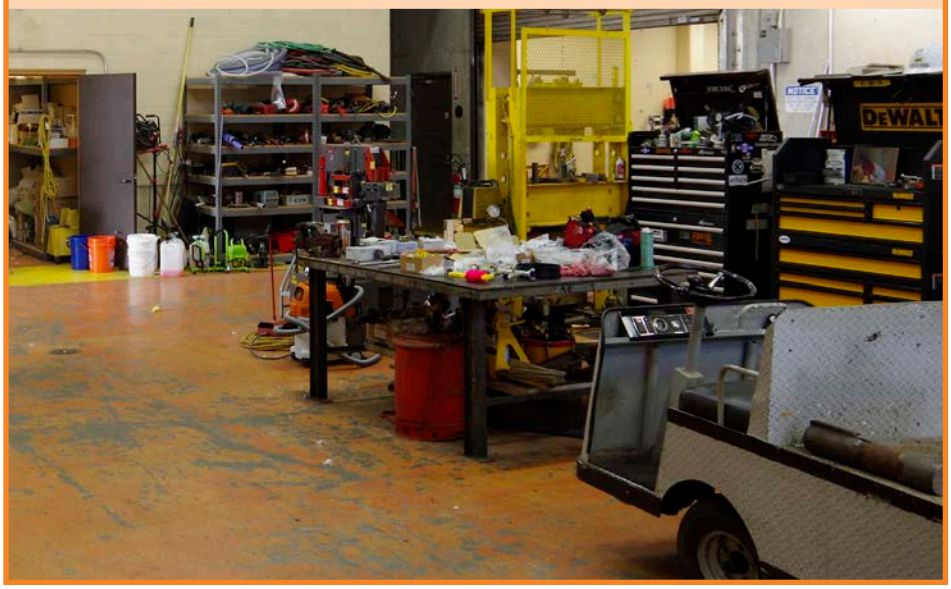
Project Type	New Capacity
Location	Budd Inlet Treatment Plant
Description	This project increases the primary sludge pumping capacity. It involves upsizing discharge piping and pumps to increase pumping capacity and energy efficiency.
Background	The primary sludge pumps move settled solids in the primary sedimentation basins to the dissolved air flotation thickener tanks where the sludge is thickened prior to being sent to the digesters.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2023	2027	$739,515	$846,257

General Equipment Repair and Replacement

Project Type	Asset Management
Location	Systemwide
Description	This provides funding for miscellaneous small repair and replacement projects.
Background	In 1987, LOTT established the LOTT Equipment Replacement Fund (LERF) to set aside funds for equipment replacement. These funds pay for small projects identified through LOTT's Asset Management Program.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2009	2050	$2,691,616	$8,576,590



Instrumentation and Controls Replacement

Project Type	Asset Management
Location	Systemwide
Description	This line item provides funding for instrumentation and controls replacements and upgrades.
Background	The control system receives input from a number of controls and instruments, many of which are reaching the end of their useful lives and need to be replaced.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2012	2050	$494,612	$1,576,036

Substation and Switchgear A/B Replacement

Project Type	Asset Management
Location	Budd Inlet Treatment Plant
Description	This project replaces substation and switchgear A/B. This equipment provides critical utility power to headworks, influent pumping, and the Budd Inlet Reclaimed Water Plant. Temporary power will be required to maintain service during construction, supplied through a combination of portable and plant generators.
Background	The substation and switchgear A/B was installed in 1980 and is reaching the end of its useful life. Replacement equipment with a lead time of nearly two years was ordered in 2023 in anticipation of this project.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2023	2026	$823,425	$823,425

Final Effluent Pumping Improvements

Project Type	Asset Management
Location	Budd Inlet Treatment Plant
Description	This project involves upgrades to aging infrastructure associated with the final effluent pump station. It includes pumps, drives, motors, valves, and other mechanical equipment.
Background	The final effluent pumps were installed in 1993 and much of the associated equipment will be nearing the end of its useful life.

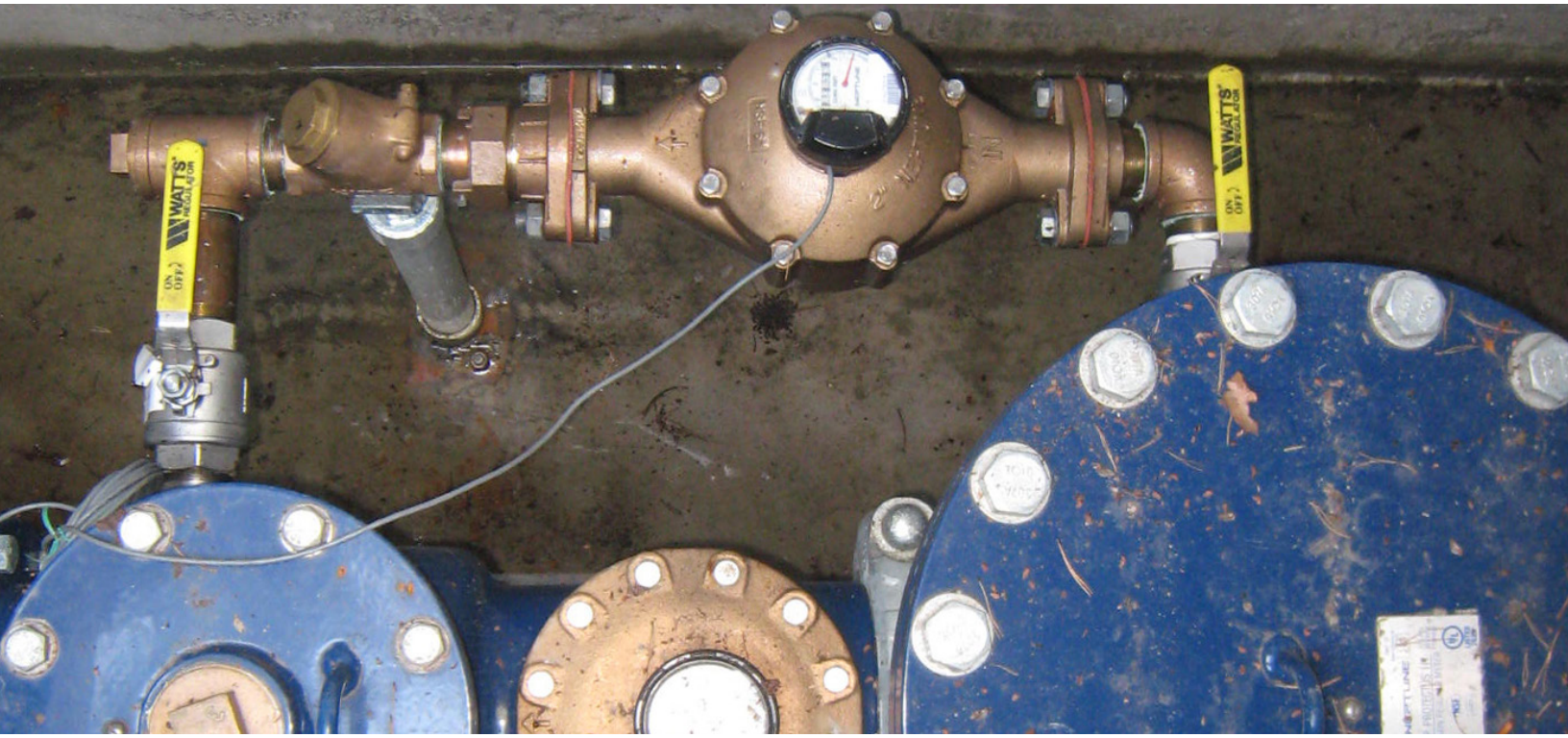
Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2029	2033	$0	$2,778,816

Facility Roof Repair and Replacement

Project Type	Asset Management
Location	Systemwide
Description	This involves repair and replacement of facility roofs at the Budd Inlet Treatment Plant and offsite facilities, including replacement of the headworks building roof planned for 2026.
Background	As part of LOTT's Asset Management Program, a maintenance and monitoring program was established to maximize the life of all existing roofs and plan for their eventual replacement. A number of roofing systems at the plant and pump stations are reaching the end of their useful lives and need to be replaced in the coming years.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2016	2050	$380,227	$1,077,915

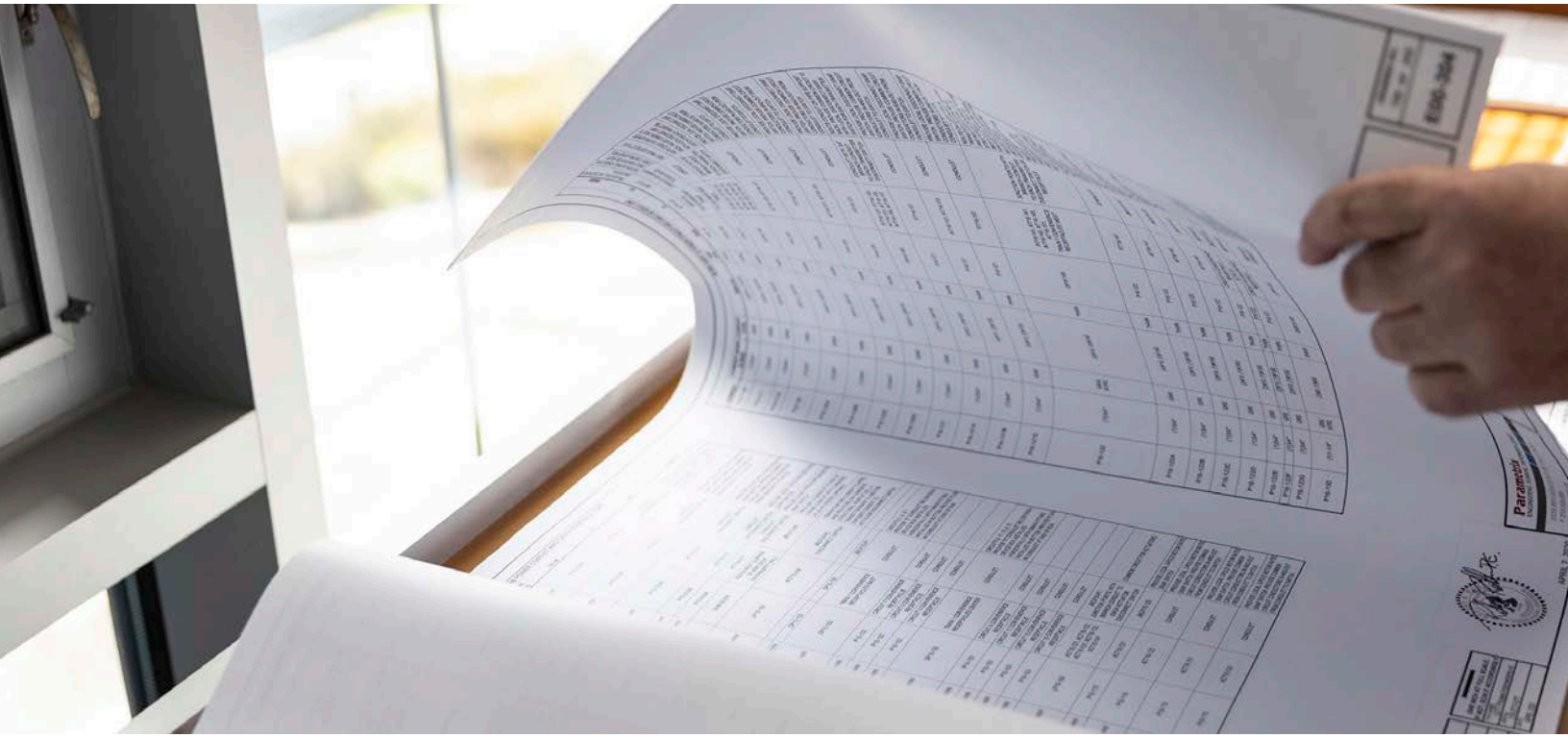
Annual Miscellaneous Professional Services



Project Type	Support Services and Projects
Location	Systemwide
Description	This provides funding for various engineering and professional consulting services associated with unexpected small projects identified during the biennium, including projects associated with emergency situations.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2006	Ongoing	$455,463	$1,480,918

Engineering Project Support



Project Type	Support Services and Projects
Location	Systemwide
Description	Engineering staff provide support for current and future projects. Services include facility planning, permitting, engineering design, construction management, and documentation.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2006	Ongoing	$5,373,241	$16,939,142

Facilities Project Support

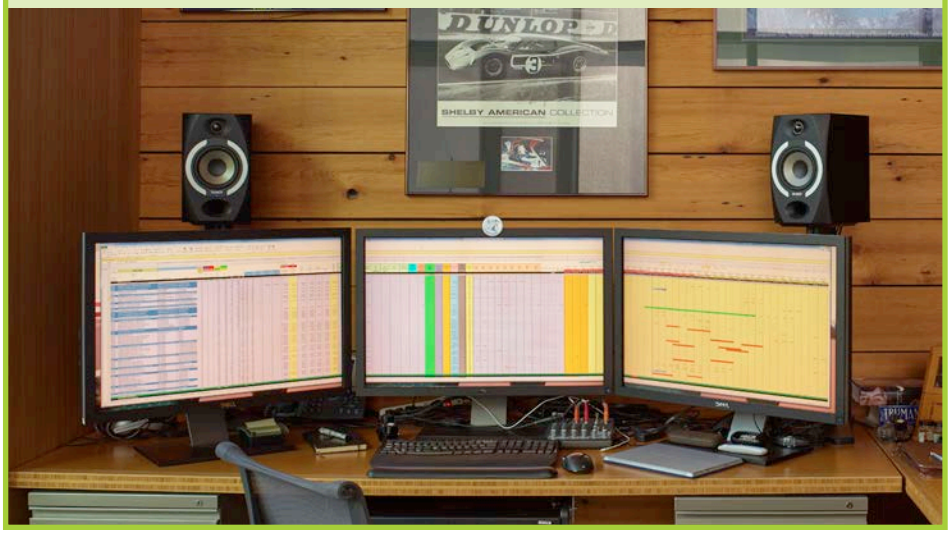
Project Type	Support Services and Projects
Location	Systemwide
Description	Staff from the Operations, Maintenance, Control Systems, and Environmental Compliance departments provide support for capital projects. Services include participation on project teams, design review, construction support, equipment and process commissioning, and integration into LOTT's asset management system.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2006	Ongoing	$3,346,299	$10,549,206

Administrative Project Support

Project Type	Support Services and Projects
Location	Systemwide
Description	Staff from the Finance & Administration, Environmental Planning & Communications, and Human Resources & Risk Management Divisions provide a variety of support for capital projects. Services include environmental evaluations, public notification, participation on project teams, staff recruitment, risk and claims management, contracting and bid support, accounting, financing. This line item also includes a portion of LOTT's general expenses related to capital projects.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2006	Ongoing	$4,508,518	$14,213,104



Flow Monitoring Program

Project Type	Support Services and Projects
Location	Systemwide
Description	This provides funding for the collection and analysis of flow monitoring data to support the development of the biennial three-part Capacity Report (Flows and Loadings, Inflow & Infiltration and Flow Monitoring, and Capacity Assessment). Annual costs include the monthly data collection fees, and annual calibration, relocation, and maintenance of flow meters.
Background	As part of LOTT's National Pollutant Discharge Elimination System (NPDES) permit, LOTT is required to monitor its sewer collection basins so that each is assessed within a seven-year period. This comprehensive monitoring program began in 1994 following completion of an initial Infiltration Inflow Analysis.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2006	Ongoing	$334,416	$1,065,587

WET Center Exhibit Updates

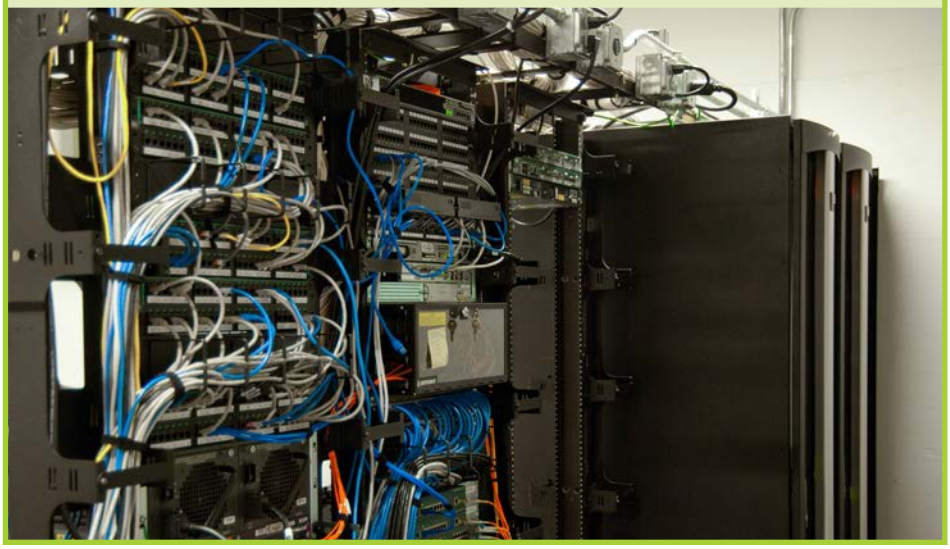
Project Type	Support Services and Projects
Location	Regional Services Center
Description	The WET Science Center serves as the heart of LOTT's education and outreach program. Exhibits and other features of the WET Science Center are updated occasionally to ensure they reflect relevant, up-to-date information and hold community interest.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2011	Ongoing	$500,000	$500,000

Information Technology Upgrades

Project Type	Support Services and Projects
Location	Systemwide
Description	This funds information system upgrades to include network servers, routers, switches, desktop computers, security, fire protection, and video surveillance systems. It also supports the continued development of LOTT's electronic operation and maintenance (O&M) manual system, which is a permit requirement.
Background	As technology continues to advance, LOTT must keep pace and continue to upgrade and maintain its information technology infrastructure.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2014	Ongoing	$1,484,057	$2,644,120



Climate Action and Sustainability Program

Project Type	Support Services and Projects
Location	Systemwide
Description	This line item provides funding for energy conservation and emissions reduction efforts. A climate action assessment completed in 2024 identified promising project areas to be explored for possible implementation in the 2025-2030 time period. LOTT's Green Team, which consists of staff from multiple work groups, will evaluate and prioritize projects for implementation.
Background	Wastewater treatment is energy-intensive and LOTT is one of the largest consumers of electricity in Thurston County. LOTT's emissions inventory indicates that 90% of LOTT's carbon footprint is due to electricity usage. The inventory is completed annually to track progress in reducing energy use, generating renewable energy, and lowering LOTT's overall carbon footprint. The Board of Directors supports efforts to move LOTT toward carbon neutrality over time.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2014	Ongoing	$445,355	$1,419,084

Future Technologies Pilot Program

Project Type	Support Services and Projects
Location	Systemwide
Description	This line item provides funding for projects to pilot test alternative and new technologies identified by the staff-led Pilot Team. The intent of pilot projects is to identify opportunities that may improve processes or create efficiencies. The program supports core tenants of LOTT's culture of excellence, including innovation, problem-solving, and forward-thinking.

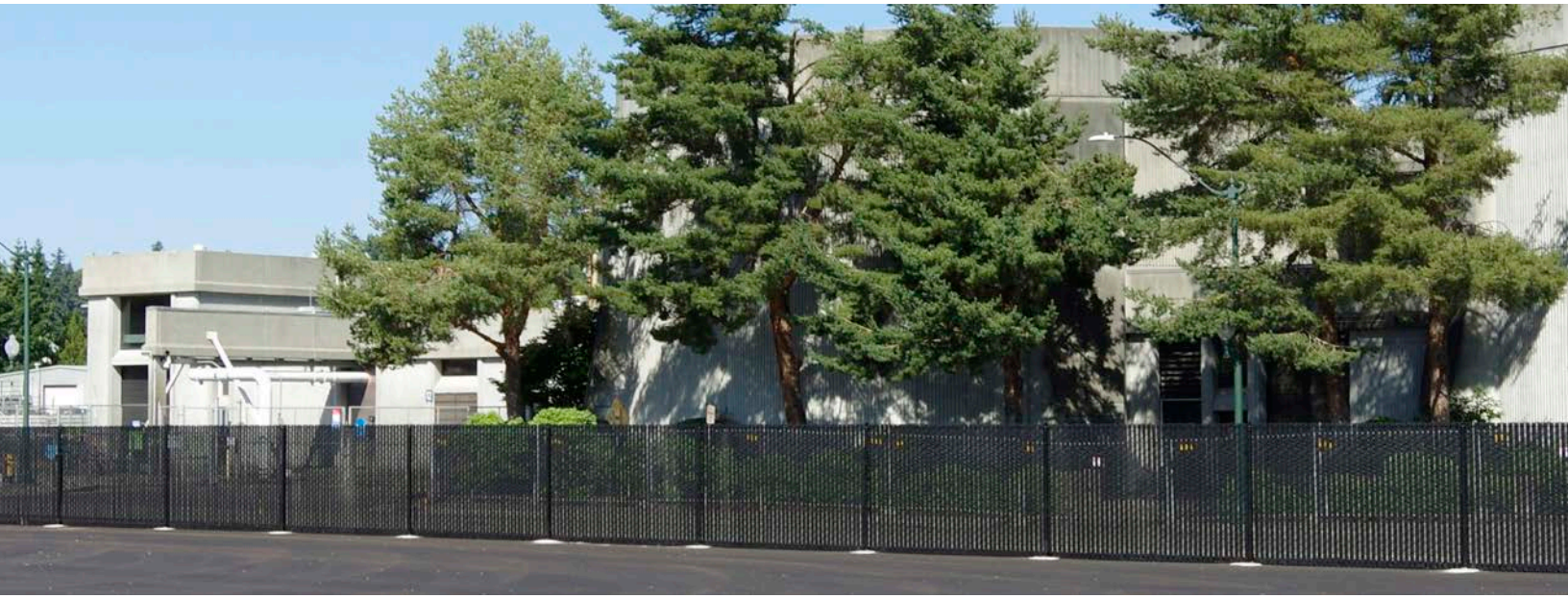
Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2022	Ongoing	$263,900	$840,893

Miscellaneous Small Projects

Project Type	Support Services and Projects
Location	Systemwide
Description	This line item provides funding for unidentified small projects that arise during the biennium. Small-scale projects that fall into this category include collection and conveyance system improvements, small construction projects, and engineering analysis and design.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2006	Ongoing	$835,700	$1,928,998

Property Acquisition



Project Type	Support Services and Projects
Location	Systemwide
Description	This line item provides funding for purchase of property adjacent to the Budd Inlet Treatment Plant and elsewhere to meet future infrastructure and system needs.
Background	As capacity needs and regulatory requirements change over time, additional properties may be needed to expand existing facilities and to build new treatment, conveyance, and discharge facilities.

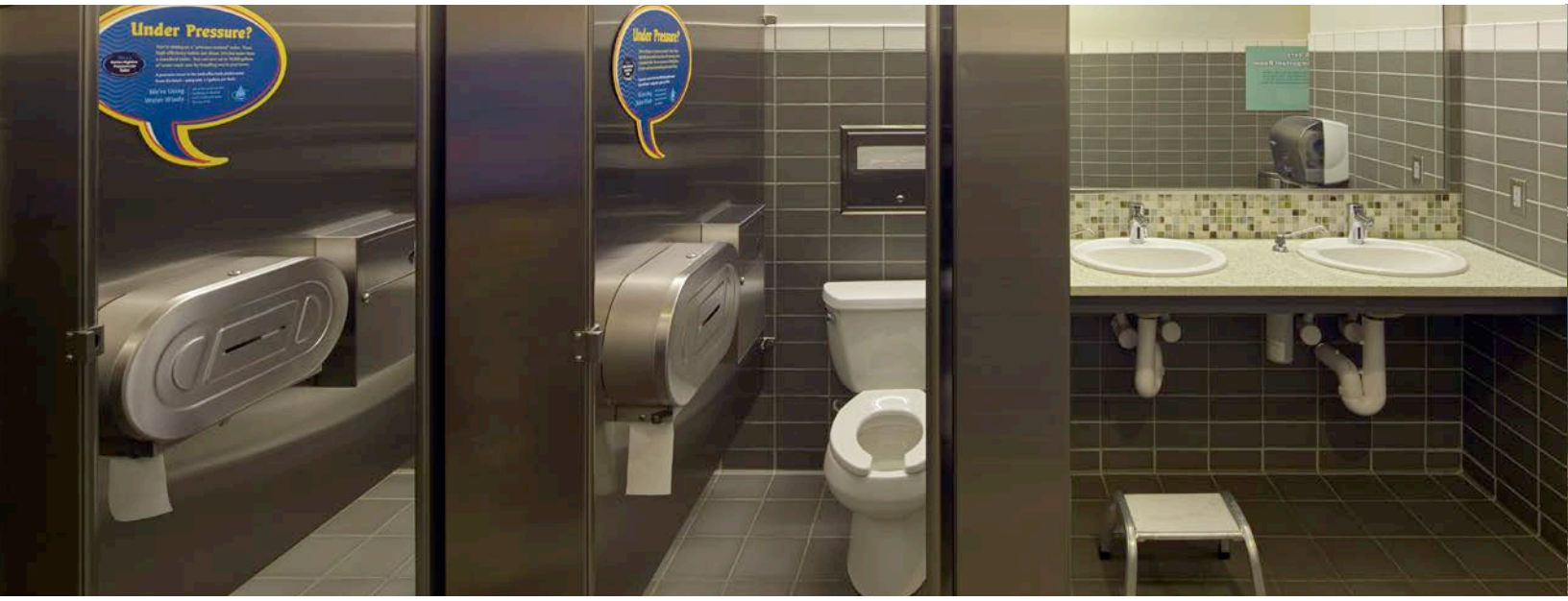
Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2001	Ongoing	$2,000,000	$5,000,000

Occupied Space and Facilities Improvements

Project Type	Support Services and Projects
Location	Systemwide
Description	This provides funding for the continued maintenance, refurbishment, and expansion of LOTT-owned occupied spaces such as offices and workrooms. It also includes funding for security improvements for LOTT facilities.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2019	Ongoing	$406,000	$1,293,682

Water Stewardship Programs



Project Type	Support Services and Projects
Location	Regional
Description	This line item funds collaborative efforts to encourage water conservation, source control, and water quality protection. LOTT provides source control and conservation outreach materials and behavior change tools like water saving kits and grease scrapers for distribution by the partner jurisdictions. This item also includes the Public Health Emergency Support Program, under which LOTT offers small grants to partner jurisdictions to improve management of human waste associated with the unhoused population.
Background	These efforts are intended to reduce inputs of fats, oils, greases, wipes, and other pollutants into the sewer system and into receiving waters. Public health support projects like rental of portable toilets at encampments help reduce risks to public health and the environment by keeping human waste and associated bacteria and nutrients out of local surface waters.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2025	2030	$130,000	$390,000

Deschutes Estuary Restoration Agreement

Project Type	Support Services and Projects
Location	Regional
Description	This line item includes funding to meet LOTT's contribution outlined under the funding and governance framework for restoration of the Deschutes Estuary. The framework centers on the State of Washington funding initial estuary restoration, with several state agencies and local entities, including LOTT, contributing to costs associated with long-term maintenance of the restored estuary.
Background	The Budd Inlet Dissolved Oxygen Total Maximum Daily Load (TMDL) analysis by the Washington State Department of Ecology found Capitol Lake is the cause of 62% of the oxygen depletion in Budd Inlet, indicating that estuary restoration is necessary to significantly improve water quality. Even though LOTT's current discharge to Budd Inlet only represents 3% of the oxygen depletion, Ecology has indicated that if the estuary is not restored, they would likely be required to further restrict LOTT's discharge, greatly increasing treatment costs. By participating in jointly-funded long-term maintenance of a restored estuary, LOTT reduces the likelihood of further discharge regulation and delays the need to construct future advanced treatment processes. A detailed business case evaluation showed that participation in maintenance of the estuary is the most cost-effective option for LOTT ratepayers.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2027	Ongoing	$0	$817,581

Water Quality and Habitat Improvement

Project Type	Support Services and Projects
Location	Regional
Description	LOTT funds ongoing efforts to identify and support water quality and habitat improvement projects. Some of these projects result from collaborative efforts with the Squaxin Island Tribe and other local organizations.
Background	Projects that protect or enhance the water quality or habitat of local surface waters or groundwater have benefit in terms of improving these vital shared resources. They also help protect the receiving waters where LOTT discharges water treated at the Budd Inlet Treatment Plant or infiltrates reclaimed water to groundwater.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2006	2030	$175,000	$525,000

Septic Conversion Incentive Program

Project Type	Support Services and Projects
Location	Regional
Description	This program incentivizes conversion from urban septic systems to sewer service through rebates for a portion of LOTT's connection fees.
Background	Connecting properties served by onsite septic systems to the public sewer system helps protect LOTT's receiving waters by ensuring a higher level of treatment than can be provided by septic systems.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2017	2030	$360,000	$1,200,000

Affordable Housing Support Program

Project Type	Support Services and Projects
Location	Regional
Description	This pilot program is designed to encourage development of affordable housing within LOTT's service area through the partial rebate of LOTT's connection fee.
Background	An increased supply of affordable housing is a regional goal shared by the LOTT justifications. This pilot program was extended through 2030 to reduce costs and lower barriers to the development of low income housing in alignment with the Regional Housing Council's efforts to foster development of more low income housing units.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2023	2030	$500,000	$1,500,000

Sea Level Rise Response

Project Type	Support Services and Projects
Location	Regional
Description	This line item provides funding for continued sea level rise response efforts, including administrative costs and joint projects of the Sea Level Rise Response Collaborative. Near-term joint projects include data gathering efforts such as monitoring of subsidence and development of a funding strategy for longer-term response measures.
Background	LOTT, the City of Olympia, and the Port of Olympia completed a joint planning effort in 2019 to create the Olympia Sea Level Rise Response Plan. The plan provides a comprehensive list of short-term, mid-term, and long-term strategies for minimizing and preventing flooding to downtown Olympia and protecting LOTT's Budd Inlet Treatment Plant from rising sea levels.

Start	Complete	2025-2026 Expenditure	2025-2030 CIP
2017	Ongoing	$100,000	$300,000

Long-Range Planning

The long-range Capital Improvements Plan (CIP) represents major capital projects projected to occur within the 2031-2037 timeframe and those that are anticipated beyond that period. This table is based on LOTT's current understanding of system needs well into the future. However, the plan is refined each biennium based on new information, including updated capacity reports, asset management evaluations, and other data. Revisions also occur due to changing conditions that result from internal planning efforts, regional planning such as the Sea Level Rise Response Collaborative work plans, and regulatory developments such as the state-level Puget Sound Nutrient General Permit. This long-range CIP has been revised based on the 2050 LOTT System Plan completed in 2023, and will continue to be adjusted based on the most current information.

Long-Range Capital Improvements Plan

System Life-Cycle Investments	2031-2037	Beyond 2037	Project Cost
Headworks			
Headworks Solids Handling Improvements		✓	$19,700,000
Wet Weather Flow Capacity Expansion		✓	$27,500,000
Primary Sedimentation			
Chemically Enhanced Primary Treatment	✓		$3,638,000
Primary Sedimentation Basins Refurbishment	✓		$4,980,000
Secondary Treatment			
Intermediate Pump Station Improvements	✓		$9,000,000
Tertiary Treatment Facility Phase 1	✓		$27,958,000
Tertiary Treatment Facility Phase 2		✓	$10,586,000
Biological Treatment Process Refurbishment		✓	$27,010,000
Secondary Clarifiers			
Secondary Clarifier Refurbishment	✓		$6,930,000
Secondary Clarifier Expansion		✓	$15,000,000
UV Disinfection			
UV Disinfection System Refurbishment		✓	$7,914,000
Budd Inlet Reclaimed Water Plant			
Budd Inlet Reclaimed Water Plant Expansion	✓		$3,900,000
Sludge Thickening			
Sludge Thickening System Upgrade		✓	$9,700,000
Sludge Digestion			
Digestion Refurbishment and Expansion		✓	$20,000,000

Long-Range Capital Improvements Plan *(continued)*

System Life-Cycle Investments	2031-2037	Beyond 2037	Project Cost
Sludge Dewatering and Disposal			
Struvite Precipitation	✓		$7,376,000
Centrate Treatment	✓		$3,224,000
Sludge Dewatering and Disposal Refurbishment		✓	$5,762,000
Odor Control			
South Odor Scrubber Upgrade	✓		$1,770,000
Electrical and Controls			
Substation and Switchgear E/F Replacement	✓		$2,877,000
Substation and Switchgear C/D Replacement	✓		$2,929,000
BITP Control System Upgrades		✓	$500,000
Collection			
Percival Creek/Mottman Road Interceptor		✓	$6,525,000
Martin Way Parallel Force Main	✓		$7,998,000
Henderson/Indian Creek Improvements		✓	$4,532,000
East Corridor Upgrade (Marvin to Carpenter)		✓	$11,607,000
Tumwater Hillside Interceptor Rehabilitation	✓		$1,170,000
Indian Creek Interceptor Improvements		✓	$15,378,000
Pump Stations			
Kaiser Road Pump Station Improvements	✓		$600,000
Capitol Lake Pump Station Refurbishment	✓		$5,000,000
Martin Way Pump Station Refurbishment		✓	$3,985,000
Martin Way Reclaimed Water Plant			
Membrane Replacement	✓		$2,372,000
Martin Way Reclaimed Water Plant 3rd mgd	✓		$30,731,000
Martin Way Reclaimed Water Plant 4th and 5th mgd		✓	$46,721,000
Hawks Prairie Ponds			
Martin Way to Hawks Prairie Pipeline Expansion		✓	$15,207,000
Reclaimed Water Capacity Expansion (Based on second phase of master planning effort)			
Treatment/Production Facilities Expansion			TBD
Conveyance System			TBD
Infiltration/Recharge/Augmentation Projects			TBD

Operating Budget

2025-2026 Operating Budget

The Operating Budget for 2025-2026 was the subject of multiple work sessions with the Board of Directors during 2024. It includes three categories of expense – personnel, direct operating expense, and general expense. Budgeted amounts for each category are shown in the table. The overall 2025-2026 Operating Budget has increased approximately 9.3% per year over the previous budget.

Operating Expense Summary 2025-2026

	2025-2026 Budget	2023-2024 Budget	Annual % Change	Biennial $ Change
Personnel	$23,000,973	$20,441,036	6.3%	$2,559,938
Direct Operating Expense	$13,012,033	$9,919,674	15.6%	$3,092,359
General Expense	$2,422,556	$2,062,563	8.7%	$359,992
Total Operations Expense	**$38,435,562**	**$32,423,273**	**9.3%**	**$6,012,289**

Personnel

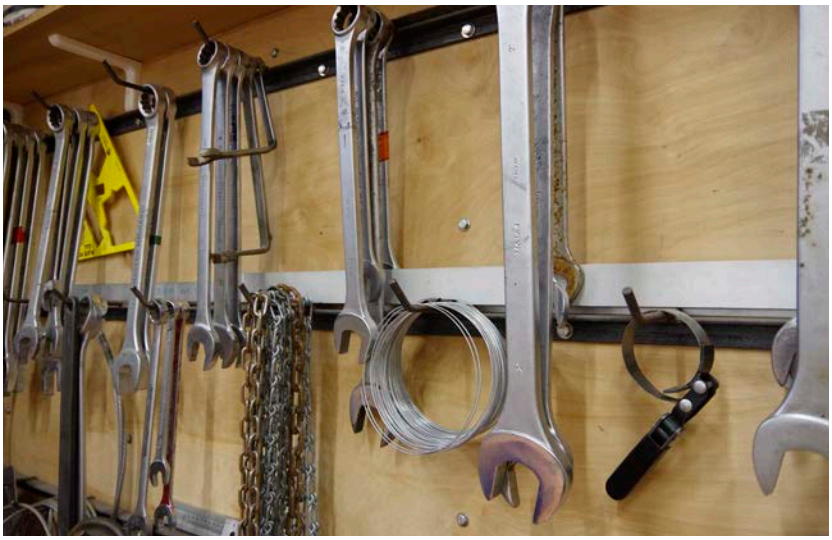
This category includes all staffing and related benefit costs. LOTT's staffing level for 2025-2026 includes a total of 91.75 full-time equivalent (FTE) positions. Three new positions and conversion of one temporary position to permanent status are included in the total. Other factors that contribute to the personnel budget increase are higher healthcare costs and scheduled cost of living adjustments.

General Expense

General Expense, the smallest of the three categories, includes all other necessary expenses that are not directly related to operations. This includes items such as training, professional services, and other overhead costs. Total expenses in this category have increased 8.7% per year in comparison to the 2023-2024 budget due to moving to a managed service model for Information Technology.

Direct Operating Expense

This accounts for all the non-personnel costs associated with the wastewater treatment process and production of reclaimed water. It includes items such as operating supplies, utilities, chemicals, and tools. This category increased by 15.6% per year, largely due to an increase in property insurance and electricity costs.



The Direct Operating Expense category accounts for non-personnel costs, including operating supplies, utilities, chemicals, and tools.

Our Commitment

The LOTT Clean Water Alliance is committed to meeting our communities' needs for wastewater treatment and reclaimed water production services, and doing so in a fiscally responsible, sound, and equitable manner. Protecting our communities' investment in LOTT's regional infrastructure and meeting future needs for new treatment capacity requires effective operations, continuous planning, and completion of large-scale capital projects. While the cost of these needs is substantial, LOTT has managed to minimize impacts to ratepayers, while keeping the utility financially sound.

LOTT is committed to meeting our communities' needs in a fiscally responsible, sound, and equitable manner.

500 Adams Street NE, Olympia, WA 98501
(360) 664-2333 • www.lottcleanwater.org