



City of Olympia

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Meeting Minutes Utility Advisory Committee

Thursday, May 2, 2013

5:40 PM

City Hall, Room 207

1. Call to Order

The meeting was called to order by Chair Curtz at 5:40 p.m.

2. Roll Call

Present: 8 - Chair Thad Curtz, Committee Member Richard Doenges, Committee Member Carol Law, Committee Member Lorelei Walker, Committee Member Judy Bardin, Committee Member Margaret Drennan, Committee Member David Dunn, and Committee Member Chris Ward

Absent: 2 - Vice Chair Barbara Day, and Committee Member Jennifer Sievert

3. Approval of Agenda

The agenda was approved.

4. Approval of Minutes

[13-0335](#) Approval of April 4, 2013 UAC Meeting Minutes

The minutes were approved.

5. Public Comment

Mr. Bob Jacobs expressed concern about pollutants in drinking water. He reported he has also provided public comment at the advisory committee for the LOTT groundwater scientific study. He urged the UAC to be cautious in their advice to the City Council about infiltrating reclaimed water into groundwater, especially relating to contaminants like pharmaceuticals.

6. Announcements from UAC and Staff

Senior Planner Liz Hoenig shared the 2013 Water Quality and Efficiency Report that will be mailed with utility bills within the next few weeks. She noted the vacancy on the UAC and said the General Government Committee has not yet interviewed a replacement.

6. A. Planning Commission Update

This item was skipped due to Comprehensive Plan update under Business of the Evening.

7. Business of the Evening

[13-0336](#) Comprehensive Plan Update

Ms. Hoenig and Associate Planner Amy Buckler discussed progress on the Comprehensive Plan update. Staff reviewed UAC feedback to date, discussed the action plan and reviewed next steps and opportunities in the process. Ms. Hoenig shared specific changes proposed by the Planning Commission that the UAC may want to comment on when they provide comments to the City Council. Some of the proposed changes to the July 2012 draft are related to recommendations made by the UAC.

The UAC plans to write a letter with comments on the most recent draft of the plan and testify at the public hearing to the City Council when the Comprehensive Plan is closer to adoption later this year.

The report was received.

[13-0337](#) Wastewater Master Plan

Engineering and Planning Manager Andy Haub introduced the plan and discussed additional items that will be included in the Wastewater Master Plan, including a more robust Operations and Maintenance section. He reviewed Comprehensive Plan policies relating to the financial well-being of the utility. He also gave an overview of the financial structure of the utility.

Staff described how the general facilities charge (GFC) is calculated for the utility. The GFC is based on how fast the pipes and pumps wear out (incremental depreciation) and for future growth and capacity for this new connection. They also shared an evaluation and proposal for volume-based billing, with the potential goals of improving equity and encouraging conservation.

Comments from UAC:

- Several members asked about how existing facilities were valued in the GFC calculations, and how they impact the ability to replace facilities if they fail - especially old facilities. The City develops a reasonable estimate of the original cost of the older facilities, which is somewhat subjective. For newer facilities, the actual construction cost is used. The value is not based on replacement cost.
- Has a plan been developed to refinance or retire the debt to the utility? Both debt and its interest rates are currently manageable. Wastewater issued a municipal bond in 2010 for \$6,485,000 with a variable interest rate averaging 3.45 percent (range of 2.0 to 4.3 percent). The City pays roughly \$518,000 a year on the bond. Other wastewater debt is financed through State public work accounts at sub-market interest rates. Annual debt from State loans is about \$99,000. An older 2001 bond

issue included insignificant wastewater funding and debt obligation.

- Why does the GFC calculation include a 3.6 percent construction cost increase (page 6), which is different than the 5 percent inflation rate for capital projects shown in other parts of the memo? The ENR construction cost inflators used on page 6 were incorporated into the analysis in order to evaluate the revenue-generating capacity of the GFCs. In turn, City staff use an overall capital project construction cost escalator of 5 percent based on recent experience. The financial analysis suggests financial assumptions do not generate the need for debt issuance. If anticipated revenue increases at approximately 3 percent and expenditures increase at approximately 5 percent, and staff can still show expenditures can be supported without debt, all is well.
- Can the GFC legally be based on current replacement value vs. a depreciated value? If there is a condition assessment program, the GFC can be calculated based on these ratings to maintain an identified level of service.
- Is there research from other cities that pricing signals for wastewater actually have an impact on behaviors? Staff is not aware of any quantification of wastewater/conservation price signals. The pricing connection between wastewater generation and water conservation appears to be weak. May be in concert with strong drinking water incentives; the tiered rates would reinforce conservation for those already paying attention. However, support for tiered wastewater rates also acknowledges a financial fairness or equity issue for very low generators of wastewater.
- Consider the equity goal when setting rates for commercial versus high-end SFR users.

The UAC gave direction that they were in favor of the volume-based rates for Olympia's side of the wastewater rate and would like to review options. They would also like to explore further the idea of having LOTT rates billed by Olympia using a volume-based approach. Staff will write a letter that reflects general support for the Wastewater Plan and for volume-based billing and will follow-up with additional information on how GFCs are calculated.

The report was received.

[13-0338](#) Reclaimed Water Ordinance Update

Senior Program Specialist Donna Buxton presented information on proposed updates to the Olympia Municipal Code related to reclaimed water. She shared highlights of substantive proposed changes and described specific details.

Comments from UAC:

- Are customers currently using reclaimed water indoors? Yes; examples include toilets and the cooling system at Hands on Children's Museum and LOTT Administrative building.
- Why would reclaimed water distribution outside city limits be prohibited? For simplicity of enforcing and administering at this time. There are complicating factors to enforce codes outside City limits.
- When will GFCs for reclaimed water be evaluated? UAC had concern that GFCs are

not charged for reclaimed water.

Staff took out the 50 percent discount on the water GFC in the proposed changes.

Drinking water rates are currently subsidizing the reclaimed water program; how the program is funded will be evaluated as part of the Water System Plan update and through LOTT partnership activities.

- Concern about pharmaceuticals and endocrine disruptors and infiltration of reclaimed water.
- Are there private wells within the service area?
Staff suspects there are and, although most are likely used for irrigation, some may be used for potable supply.
- Would staff consider prohibiting reclaimed water recharge within a certain distance of private wells?
The City would prohibit reclaimed water recharge according to the state standard, and no closer than the WA Department of Health required sanitary control area, which for wells is currently a 100-foot radius (WAC 246-290-135(2)). What is the current prohibition? Application of reclaimed water at agronomic rates is currently acceptable.
- Is there anything in the OMC that prevents someone from doing an apartment building using reclaimed water?
No. As long as all reclaimed water system and use requirements and regulations are met, reclaimed water can be used within an apartment building.
- The City should continue its current cautious approach and follow the process of the LOTT scientific study for further evaluation.

Suggested groups to notify of the proposed changes to the reclaimed water OMC:

- Thurston Climate Action
- League of Women Voters
- Sustainable Thurston
- Thurston County Pronet
- Sierra Club
- Audubon Society
- Coalition of Neighborhoods
- Friends of the Waterfront
- Agency representatives (Ecology staff responsible for reclaimed water regulations)
- Tribes (Squaxin)

The UAC moved and approved to support the proposed changes to the OMC for reclaimed water and to draft a letter that will be addressed to the Planning Commission and City Council. Committee Member Bardin voted against the motion; she is uneasy about using reclaimed water for irrigation or infiltration. She would support the ordinance prohibiting all uses except for indoor uses.

The proposed ordinance would allow the City to make prohibitions to uses of reclaimed water above and beyond state regulations. The UAC would like to get clarity about when and how the City could decide to prohibit certain uses.

8. Adjournment

The meeting was adjourned at 8:50 p.m.