



June 30, 2014

Max Brown, Chair
Olympia Planning Commission
c/o Amy Buckler, Associate Planner
City of Olympia
PO Box 1967
Olympia, WA 98507-1967

Dear Chair Brown:

SUBJECT: Utility Advisory Committee (UAC) Review of Draft 2015-2020 Capital Facilities Plan

At our June 5, 2014 meeting, the UAC reviewed the draft Drinking Water, Wastewater and Stormwater sections of the draft *2015-2020 Capital Facilities Plan (CFP)*. Andy Haub, Public Works Water Resources Director, facilitated the review. The UAC has not yet discussed the rate implications of this CFP.

The UAC is aware that the Olympia Planning Commission is scheduled to hold a public hearing on the preliminary CFP on Monday, August 4, and will then deliberate before sending final recommendations to the City Council. The UAC's comments on the draft CFP are as follows.

Drinking Water Utility

The UAC expresses support for the proposed Drinking Water CFP, but notes that additional staff and UAC work is needed in September.

At this time, the UAC is forwarding the draft Drinking Water CFP to the Olympia Planning Commission with the understanding that a financial analysis of the Utility will be completed by the end of August, 2014. The analysis is an important component of ongoing revisions to the Water System Plan and will provide the needed information to refine the draft CFP. While the UAC supports the projects identified in the draft CFP, we anticipate the financial need to defer projects in order to reduce near-term costs.

As presented, the draft Drinking Water CFP for 2015-2020 is \$37.1 million, an increase of \$18.6 million compared to the 2014-2019 CFP (\$18.5 million). Approximately \$11 million of the CFP will be funded by a State-supported low interest loan, thereby reducing funding needs. As suggested, the UAC needs a comprehensive understanding of Utility operating and capital budgets before making recommendations.

The Drinking Water capital improvement program continues to be driven by costly projects largely mandated by State public health guidelines. Additionally, the Utility needs to fund routine infrastructure retrofits and upgrades necessary to proactively address long-term needs.

While financial challenging, the draft CFP remains consistent with the 2009-2014 Water System Plan and begins to incorporate findings from the evolving 2014-2019 Plan anticipated for completion next year.

Wastewater Utility

The UAC supports the draft Wastewater CFP. The CFP represents a financially-modest capital program focused on proactive upgrades to the wastewater infrastructure. The current condition of the wastewater infrastructure reflects the appreciable investments using municipal bond funding over the past seven years. Numerous, much-needed projects have been completed.

The Wastewater CFP is consistent with the 2013-2018 Management Plan adopted by City Council last fall. It includes approximately \$9 million in capital projects over the next six years, down from \$9.6 million in last year's plan. The project costs are dominated by ongoing upgrades to wastewater lift stations that are reaching or exceeding their life expectancy (\$2.7 million), repairs to existing pipe systems (\$3 million), one major sewer extension (\$0.75 million) and potential small-scale neighborhood sewer extensions aimed at facilitating septic system conversions to municipal sewer (\$1.9 million).

In general, the Wastewater CFP focuses on affordable and proactive upgrades to existing systems. With completion of the first round of pipe televising and condition rating, the Wastewater Utility is able to comprehensively document the structural integrity of its 185 miles of pipe. The pipes are mostly in good condition with many small, manageable repairs needed. This level of understanding is a milestone in long-term capital financial planning for the Utility.

Storm and Surface Water Utility

The UAC also supports the proposed Storm and Surface Water CFP, with the understanding that an upcoming comprehensive update to the Storm and Surface Water Management Plan (2003/2010) could result in new priorities and capital needs in future years. The CFP implements the intent of the 2003 Storm and Surface Water Management Plan and is adapting to new management dynamics.

The draft CFP includes approximately \$12.6 million in storm and surface water projects, compared to \$10.6 million of projects in last year's plan. Consistent with last year's CFP, the entire water quality retrofit budget of almost \$2.3 million is contingent upon grant funding. Utility match funding of 25 percent is provided. While grant funding is uncertain, recent State legislative funding decisions are supportive of local water quality retrofit needs. The Utility has been successful in receiving State funds.

Key projects include pipe capacity upgrades at the intersection of Black Lake Boulevard and Cooper Point Road (\$3.2 million). Funding for this project is supported by general facility charges and private development agreements. The Utility continues to emphasize pipe televising and condition rating in order to understand the integrity of our pipe systems (\$853,000) and subsequent pipe repairs (\$474,000). The Utility has made substantial progress with condition rating since 2011.

Funding to begin responding to the risk of downtown flooding (from higher sea levels) is new this year. While acknowledging the potential need for additional funding in the future, the recommendation for \$500,000 is supported by the UAC.

Consistent with discussion and recommendations over the past two years, the Utility has increased funding for land acquisition, stewardship and enhancement (\$1.2 million). With UAC and OPC support last year, these work efforts are now underway.

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The UAC continues to support the CFP and the ongoing planning work of Public Works Water. If you have any questions, I can be reached at 360.352.2209 or via e-mail at curtzt@nuprometheus.com

Sincerely,



THAD CURTZ

Chair

Utility Advisory Committee

TC/lm

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ec: Olympia City Council
Utility Advisory Committee
Rich Hoey, P.E., Public Works Director
Andy Haub, Water Resources Director