City of Olympia | Capital of Washington State
P.O. Box 1967, Olympia, WA 98507-1967
olympiawa.gov

September 19, 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) 2015-2020 Capital Facilities Plan (CFP) Recommendation for Drinking Water Utility

At our September 4, 2014 meeting, the UAC reviewed a summary of the latest Drinking Water Utility rate study from the City's consultant FCS Group. Andy Haub, Public Works Water Resources Director, facilitated the review. The FCS Group estimated the annual Drinking Water rate increases necessary to fund four different CFP scenarios with varying levels of investment. The attached Summary of Drinking Water CFP Scenarios & Financial Impacts table presents anticipated annual rate adjustments attributable to each CFP scenario.

The four CFP scenarios evaluated are summarized as follows:

- Scenario 1: only mandatory / regulatory requirements
- Scenario 2: Scenario 1 plus critical needs
- Scenario 3: Scenario 2 plus secondary needs
- Scenario 4: Scenario 3 plus tertiary needs

Water Resources Staff recommend CFP Scenario 4 as shown in the attached 2015 – 2020 CFP List of Projects. This CFP includes $30.8 million for 2015-2020, representing a $12.3 million increase from 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.

The Drinking Water capital improvement program continues to be driven by costly projects largely mandated by State public health requirements. Additionally, the Utility needs to fund routine infrastructure retrofits and upgrades necessary to maintain existing infrastructure. CFP Scenario 4 remains consistent with the 2009-2014 Water System Plan and begins to incorporate findings from the evolving 2015-2020 Plan anticipated for completion next year.

The UAC recommends that Council adopt CFP Scenario 4 for the Drinking Water Utility. The Committee thinks the utility should unquestionably make the investments in Scenario 3, which staff described as including "proactive maintenance activities that should reduce long-term O&M costs." We went back and forth for some time about Scenario 4, but eventually arrived at a consensus on recommending it, given the relatively small additional expenses involved over the next several years of actual spending. (You will note that in 2015 the difference between Scenario 3 and Scenario 4 is

$16,000 in a $5 million budget; in 2016 it's $125,000 in an almost $7 million budget, and in 2018 it's about $250,000 in a $5.5 million budget.) The UAC continues to support the CFP and the ongoing planning work of Public Works Water Resources.

If you have any questions, I can be reached at 360.352.2209 or via e-mail at curtzt@nuprometheus.com

Sincerely,

T. B. Curtz

THAD CURTZ
Chair
Utility Advisory Committee

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

City of Olympia
Summary of Drinking Water CFP Scenarios & Financial Impacts

Projected Capital Expenditures [1]	2015	2016	2017	2018	2019	2020
Scenario 0 - No CFP	$ -	$ -	$ -	$ -	$ -	$ -
Scenario 1 - Mandatory/Regulatory Projects	$ 7,347,200	$ 4,411,750	$ 800,000	$ 150,000	$ 150,000	$ 412,500
Scenario 2 - Scenario 1 + Critical Projects	$ 8,322,200	$ 6,184,250	$ 4,153,500	$ 1,857,000	$ 1,150,000	$ 3,137,500
Scenario 3 - Scenario 2 + Secondary Needs	$ 8,500,325	$ 6,703,000	$ 5,261,000	$ 2,784,500	$ 1,587,500	$ 3,675,000
Scenario 4 - Scenario 3 + Tertiary Needs	$ 8,516,075	$ 6,829,000	$ 5,504,500	$ 3,048,000	$ 1,853,750	$ 4,087,750

[1] Assumes that for each project, 75% of the planned cost is incurred in the first year of construction; 25% of the cost is deferred to the following year to account for typical delays in project completion.

Water Rate Adjustments	2015	2016	2017	2018	2019	2020
Scenario 0 - No CFP	6.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Scenario 1 - Mandatory/Regulatory Projects	6.00%	6.00%	5.00%	3.00%	2.00%	2.00%
Scenario 2 - Scenario 1 + Critical Projects	6.00%	6.00%	5.00%	4.00%	2.00%	2.00%
Scenario 3 - Scenario 2 + Secondary Needs	6.00%	6.00%	5.00%	5.00%	2.00%	2.00%
Scenario 4 - Scenario 3 + Tertiary Needs	6.00%	6.00%	5.00%	5.00%	4.00%	4.00%

Water Rate Adjustments (Alternate Format)	2015	2016	2017	2018	2019	2020
Rate Increases Without CFP	6.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Incremental Rate Increases Attributable to CFP:						
Scenario 1 - Mandatory/Regulatory Projects	0.00%	4.00%	3.00%	1.00%	0.00%	0.00%
Scenario 2 - Scenario 1 + Critical Projects	0.00%	4.00%	3.00%	2.00%	0.00%	0.00%
Scenario 3 - Scenario 2 + Secondary Needs	0.00%	4.00%	3.00%	3.00%	0.00%	0.00%
Scenario 4 - Scenario 3 + Tertiary Needs	0.00%	4.00%	3.00%	3.00%	2.00%	2.00%

2015-2020 CFP - List of Projects

Drinking Water Utility

6/13/2014

Scenario 4 = Scenario 3 + Tertiary Needs

Program #	Program Name	Project	2015	2016	2017	2018	2019	2020		
9021	Asphalt Overlays									
	(100% construction)	Asphalt Overlay	$ 10,500	$ 10,500	$ 10,500	$ 10,500	$ 10,500	$ 10,500	$ 63,000	
										$ 63,000
9408	Small Diameter Water Main									
	(20% engineering, 80% construction)	Small Diameter Water Main	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 3,000,000	
										$ 3,000,000
9609	Transmission and Distribution Projects									
	(100% construction)	Fones Road Watermain Construction						$ 2,300,000	$ 2,300,000	
	(25% engineering, 80% construction)	Fones Road Booster Rehababilitation Construction Design 2015	$ 1,090,000						$ 1,090,000	
	(20% engineering, 80% construction)	Morse-Merryman Extension to New Log Cabin (417 Zone) Reservoir	$ 490,000						$ 490,000	
	(20% engineering, 80% construction)	Pressure Reducing Valve - East Bay Drive					$ 247,000		$ 247,000	
	(20% engineering, 80% construction)	Kaiser Road Watermain Extension to Evergreen Park Drive			$ 760,000				$ 760,000	
	(20% engineering, 80% construction)	AC Pipe Replacement- Boulevard Rd Roundabout at Morse Merryman Rd		$ 780,000					$ 780,000	
	(100% construction)	Distribution System Oversizing	$ 27,000	$ 27,000	$ 27,000	$ 27,000	$ 27,000	$ 27,000	$ 162,000	
	(20% engineering, 80% construction)	Percival Creek Watermain	$ 100,000	$ 400,000					$ 500,000	
	(20% engineering, 80% construction)	West Bay Booster Station Pump and Electrical Upgrade	$ 150,000						$ 150,000	
	(20% engineering, 80% construction)	AC and Aging Pipe Replacement	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 3,000,000	
	(20% engineering, 80% construction)	Meridian Overflow and 36-inch Watermain	$ 150,000						$ 150,000	
	(20% engineering, 80% construction)	McCormick Valve House		$ 150,000					$ 150,000	
	(20% engineering, 80% construction)	Booster Station Upgrade/Rehabilitation			$ 150,000	$ 150,000	$ 150,000	$ 150,000	$ 600,000	
	100% engineering	Distribution Main Condition Assessment	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 150,000	
	100% engineering	Cross Country Mains	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 150,000	
	100% Asset Management	Asset Management Program	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 300,000	
	100% equipment	On-site Generator Replacement Plan		$ 75,000		$ 75,000		$ 75,000	$ 225,000	
	(20% engineering, 80% construction)	Corrosion Control (aeration) Tower Condition Assessment & Upgrades		$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 125,000	
	100% equipment	Water Meter Replacement							$ -	
	100% equipment	Water Meter AMR Radio Replacement							$ -	
	(20% engineering, 80% construction)	Eastside Street and Henderson Blvd Watermain Extension							$ -	
	(20% engineering, 80% construction)	PRV Telemetry (Radio-based)							$ -	
										$ 11,329,000
9610	Water Storage Systems									
	(20% engineering, 80% construction)	New Log Cabin (417 Zone, SE Olympia) Reservoir Construction	$ 7,350,000						$ 7,350,000	
	(20% engineering, 80% construction)	Hoffman Court Reservoir Interior Coating Replacement			$ 578,000				$ 578,000	
	(20% engineering, 80% construction)	Fir Street Reservoir #1 and #2 Seismic Retrofit			$ 1,000,000				$ 1,000,000	
	(20% engineering, 80% construction)	Elliott Reservoir Seismic Retrofit			$ 1,250,000				$ 1,250,000	
		Storage Reservoir Coating (Interior/Exterior)				$ 300,000		$ 300,000	$ 600,000	
										$ 10,778,000
9700	Water Source Development & Protection									
	(20% engineering, 80% construction)	Briggs Well Construction							$ -	
	(100% construction)	McAllister Wellfield Corrosion Control Treatment		$ 2,200,000					$ 2,200,000	
	(20% engineering, 80% construction)	McAllister Wellfield Mitigation - Deschutes River	$ 267,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 767,000	
	(20% engineering, 80% construction)	McAllister Wellfield Mitigation - Woodland Creek	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 300,000	
	(100% planning and design)	Olympia Brewery Water Engineering Analysis	$ 50,000					$ 50,000	$ 100,000	
	(20% engineering, 80% construction)	Indian Summer Well Chlorination		$ 150,000					$ 150,000	

	(20% engineering, 80% construction)	Shana Park Well Water Quality Study		$ 150,000					$ 150,000		
	(20% engineering, 80% construction)	Hoffman Well Treatment							$ -		
										$	3,667,000
9701	Groundwater Protection										
	(100% easements and appraisals)	Groundwater Protection ~~Land Acquisition~~ (Easements, Appraisals Etc.)		$ 15,000		$ 15,000		$ 15,000	$ 45,000		
	(100% planning)	Wellhead Protection Program			$ 250,000	$ 150,000			$ 400,000		
	(20% engineering, 80% construction)	Groundwater Monitoring Wells	$ 100,000	$ 150,000	$ 200,000	$ 200,000			$ 650,000		
										$	1,095,000
9710	Reclaimed Water										
	(20% engineering, 80% construction)	Reclaimed Water Infrastructure						$ 250,000	$ 250,000		
	(20% engineering, 80% construction)	Port of Olympia - Eliminate Northern Dead End		$ 50,000					$ 50,000		
	(20% engineering, 80% construction)	Water Filling Stations						$ 100,000	$ 100,000		
										$	400,000
9903	Infrastructure Pre-Design and Planning										
	(100% predesign and planning)	Pre-Design and Planning	$ 21,000	$ 21,000	$ 21,000	$ 21,000	$ 21,000	$ 21,000	$ 126,000		
										$	126,000
				$ -							
9906	Water System Planning										
								$ 300,000	$ 300,000		
										$	300,000
									$ 30,758,000	**$**	**30,758,000**
			$ 10,955,500	$ 5,453,500	$ 5,521,500	$ 2,223,500	$ 1,730,500	$ 4,873,500	$ 30,758,000		