



City Hall  
601 4th Avenue E.  
Olympia, WA 98501  
360-753-8244

## City Council

### Interlocal Agreement between the Cities of Olympia, Lacey and Yelm for Implementing Deschutes Water Rights Mitigation Strategy - Phase III

**Agenda Date:** 8/14/2012  
**Agenda Item Number:** 4.G  
**File Number:** 12-0369

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**Type:** contract **Version:** 1 **Status:** Passed

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**Agenda Item:**

Interlocal Agreement between the Cities of Olympia, Lacey and Yelm for Implementing Deschutes Water Rights Mitigation Strategy - Phase III

**Issue:**

Whether to approve the Interlocal Agreement with the cities of Lacey and Yelm to continue water rights mitigation work in the Deschutes River Basin. This Interlocal will fund the initial work of Phase III and also wrap up Phase II work. Phase III work will focus on habitat restoration projects at the Deschutes River Farm (formerly Smith Farm) as outlined in the cities' final mitigation plans approved by the Department of Ecology. The agreement authorizes the three cities to spend \$250,000, including \$10,500 of expenses that will wrap up the work of Phase II.

**Committee Recommendation:**

Not referred to a committee.

**City Manager's Recommendation:**

Move to approve the Interlocal Agreement and authorize the Mayor to sign.

**Staff Contact:**

Liz Hoenig, Senior Planner, Public Works Water Resources, 360.753.8152

**Presenters:**

None. Consent Calendar Item.

**Background and Analysis:**

For several years, the cities of Olympia, Lacey, and Yelm have worked together to develop collaborative mitigation strategies for the Deschutes River Basin associated with their applications for new water rights. These strategies include water rights acquisition, land acquisition and habitat restoration and are outlined in each cities' mitigation plans as approved by the Washington Department of Ecology. The first two phases are mostly complete. This interlocal initiates Phase III, which will focus on habitat restoration on the Deschutes River Farm, which was jointly purchased by the cities in May of 2011.

The purpose of this Interlocal is to initiate Phase III work by hiring a Project Manager, completing 60% design

for the habitat restoration work, fencing and securing the cities' property, completing tasks associated with Phase II work. Phase II work included water rights and property acquisition. This Interlocal will allow the cities to get costs that are more refined and a detailed schedule for construction on the Deschutes River Farm. It will also allow the cities to enter into agreements for Project Management services and fence installation work.

**If approved:**

- The City will meet its legal obligations as defined in Ecology's final decision on the McAllister Wellfield Water right.
- The collaborative working relationships with the cities, the Nisqually Indian Tribe, and Squaxin Island Tribe will continue. Other collaborative partnerships will also form because of the habitat restoration work.

**If denied:**

- The City will not meet its legal obligations as set for the in Ecology's final decision on the McAllister Wellfield water right, and this could put the entire project in jeopardy.
- Collaborative relationships, built over years, could break down and cause significant political and legal challenges.

**Neighborhood/Community Interests:**

Response to date has been positive. Staff will coordinate with partner cities and neighboring property owners and area residents during fence installation.

**Options:**

1. Approve the Interlocal Agreement.
2. Direct staff to revise the Interlocal Agreement.

**Financial Impact:**

The Cities will equally divide the cost of work performed under this Interlocal Agreement, which are not to exceed \$240,000. Olympia's share (\$80,000) will be paid out of the Drinking Water Utility Capital Fund using funding allocated for water rights mitigation. Adequate funding exists in the program for this work.