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Utility Advisory Committee Water System Plan Update

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Title

Water System Plan Update

Recommended Action

Recommend the UAC write a letter to the City Council supporting the approval of the 2021-2026 Water System Plan

Report

Issue:

Provide committee comment on and support for the 2021-2026 Water System Plan developed by staff team and supported by consultants HDR, Inc. and FCS Group (financial analysis).

Staff Contact:

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Presenter:

Susan Clark, Engineering and Planning Supervisor

Background and Analysis:

Water System Planning Requirements and Update Process

Washington Administrative Code (WAC 246-290-100) requires water utilities with 1,000 or more connections, or those that are expanding, to develop water systems plans (WSP) every 6 to 10 years. Water system plans are reviewed and approved by the Washington State Department of Health (DOH) and are developed to demonstrate the utility's capacity to remain in compliance with relevant local, state and federal regulations.

An internal cross-sectional writing team conducted the update and consulting services provided support with water demand projections, capital project identification and prioritization, hydraulic modeling and financial review.

On October 14, 2022, the draft 2021-2026 Water System Plan (2021-2026 WSP) was submitted to DOH for review and comment. Comments from DOH were received on June 5, 2023. Drinking Water Utility staff's response to DOH comments are attached to this staff report and include minor

changes that will be made at water system plan finalization.

Summary of Public Review and Comment Opportunities

The UAC served as the primarily vehicle for review and input during the water system plan update project. Briefings on the 2021-2026 WSP occurred as follows:

- November 5, 2020
- April 1, 2021
- August 12, 2021
- November 4, 2021
- April 7, 2022

Additional ways the water system plan update process solicited public or other agency review included:

- A project webpage and a project kick-off announcement in the September/October 2020 *Five Things* Utility Insert
- A project briefing at the Land Use and Environment Committee on September 17, 2020
- A conservation goal setting public forum on November 4, 2021 advertised through the DOH's website and a City e-newsletter.
- A project briefing at the Land Use and Environment Committee on April 21, 2022
- Submittal of the 2021-2026 WSP to DOH on October 14, 2022
- A request for review and comment by neighboring water systems in October/November 2022 sent through direct email request
- Submittal of the 2021-2026 WSP to Thurston County Environmental Health in October 2022
- A public comment period in November/December 2023 advertised through a City e-newsletter
- Issuance of a State Environmental Policy Act Determination of Non-significance and check list on February 3, 2023

Drinking Water Utility staff also participated in a discussion about the 2022-2026 WSP with a Squaxin Island Tribe staff member on February 9, 2023.

Water System Plan Summary

The general purpose of a water system plan is to demonstrate a utility's operational, technical, managerial and financial capability to achieve and maintain compliance with relevant local, state and federal regulations.

The 2021-2026 WSP contains the water demand/water supply, hydraulic and financial analysis required to demonstrate that the Drinking Water Utility can continue to provide drinking water to its current and projected new customers for the next 20+ years.

The Drinking Water Utility will continue to focus its efforts on the following opportunities and challenges as it implements the 2021-2026 WSP:

- Aging infrastructure
- Changing water quality regulations

- Keeping pace with development
- Protecting groundwater from contamination
- Equitable and predictable rates and fees
- Public education and involvement
- Climate change
- Incorporating equity (fairness) in utility decisions
- Southeast Olympia groundwater sources
- Reservoir upgrades
- Asset Management strategy
- Uncertainty of changing demands

Neighborhood/Community Interests (if known): City-owned utilities provide essential public health services to residential and commercial customers in our service area. No public comments to date have been received on the 2021-2026 WSP.

Options:

Option 1. Recommend approval of the 2021-2026 Water System Plan, with no recommended modifications.

Option 2. Recommend approval of the 2021-2026 Water System Plan, with recommended modifications.

Climate Analysis:

The Drinking Water Utility currently contributes to the City's overall climate goals through green power purchase, water conservation goals and messaging, the use of electric vehicles where possible and the use of energy efficient pumps. As the Drinking Water Utility implements the 2021-2026 WSP it will continue to analyze how its operations can continue to support the City's goal of reducing greenhouse gas emissions.

Equity Analysis:

The strategic direction established through the 2021-2026 WSP has the potential to both benefit and burden people who live, work, visit, pay utility bills, develop property in Olympia or become utility customers/rate payers in the future. The mission of the Drinking Water Utility includes prioritizing public and environmental health on behalf of all customers, regardless of who "pays the bill". Additionally, the Drinking Water Utility collects and uses data on the condition of its infrastructure to make maintenance, renewal and replacement decisions. Condition data helps each utility to make equitable decisions since it focuses work toward infrastructure most in need of maintenance, renewal or replacement. Further, the Drinking Water Utility implements utility bill assistance programs for low-income disabled or low-income over age 62. Finally, the Drinking Water Utility is in the business of providing high-quality and cost-effective service to all existing and future customers located within its designated water service area consistent with the growth and development objectives of the City's Comprehensive Plan. However, regardless of these current practices, the Drinking Water Utility would benefit from continuing to use information from the Thurston Stormwater Equity Index to focus efforts and resources to ensure infrastructure and program service decisions are made which reduce service disparities and support equitable outcomes.

Financial Impact: The Drinking Water Utility funds the 2021-2026 WSP. There are utility rate and general facilities charge (GFC) implications to fully fund the 2021-2026 WSP. However, the

implementation of future rates and GFCs is addressed during annual budget review and approval.

Chapter 14 and Appendix 14-1 contain the financial analysis conducted for the 2021-2026 WSP by the Drinking Water Utility's financial consultant, FCS Group, including the rate increases necessary to fully fund all recommended strategies and capital projects as presented. Washington Administrative Code Section 246-290-100 requires water system plans to lay out the balanced 6-year financial program necessary to fully implement the water system plan. The Drinking Water Utility's required 6-year financial program includes rate increases of 6.7 percent for the first year, and 5 percent thereafter, along with the need to obtain a \$5 million Drinking Water State Revolving Fund loan to fund capital projects in 2026/2027.

The DOH and the Washington State Department of Commerce Public Works Board use an affordability index to prioritize low-cost loan awards depending on whether rates exceed 2 percent of the median household income for the service area. Using a 2021 median household income of \$66,443, which corresponds to a maximum monthly water bill of \$110.74, a \$39.05 monthly water bill - the 2021-2026 WSP's 2027 rate assumption for 6 ccf of use - suggests an affordable water rate structure is proposed in the 2021-2026 WSP. Additional information about affordable rate metrics can be found in Chapter 14 and Appendix 14-1.

Attachments:

Staff response to Department of Health review comments

[Link to the Water System Plan webpage](#)