

**TUMWATER PUBLIC WORKS COMMITTEE
MINUTES OF VIRTUAL MEETING
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CONVENE: 8:00 a.m.

PRESENT: Chair Eileen Swarthout and Councilmember Michael Althausen.

Staff: City Administrator Lisa Parks, City Attorney Karen Kirkpatrick, Finance Director Troy Niemeyer, Water Resources and Sustainability Director Dan Smith, Transportation and Engineering Director Brandon Hicks, Assistant Transportation and Engineering Director Mary Heather Ames, Engineering Services Manager Bill Lindauer, Water Resources Program Manager Patrick Soderberg, Communications Manager Ann Cook, and Administrative Assistant Bonnie Hale.

**APPROVAL OF
MINUTES:
PUBLIC WORKS
COMMITTEE,
DECEMBER 7, 2023:**

MOTION: Councilmember Althausen moved, seconded by Chair Swarthout, to approve the minutes of December 7, 2023 as presented. A voice vote approved the motion.

**SMALL WORKS
CONTRACT WITH JA
MORRIS
CONSTRUCTION
FOR THE TENANT
IMPROVEMENTS
FOR CITY OF
TUMWATER OFFICE
SPACE AT SOUTH
PUGET SOUND
COMMUNITY
COLLEGE:**

Director Smith briefed members on the proposed contract for tenant improvements for City space at South Puget Sound Community College.

The proposed contract with JA Morris Construction is for tenant improvements at South Puget Sound Community to accommodate Water Resources & Sustainability Department. The project is comprised of two classrooms, two small existing offices, and a service area located between the classrooms to convert those spaces to work spaces. The classrooms currently house cabinets and large science desks. Options for reusing the cabinets and desks were analyzed and deemed not possible because of the configuration of their construction. The cabinets and desks will be removed. In some cases some other equipment will be reused when possible. Flooring will be covered with a new floor to keep costs minimal. One entrance to the area of the classrooms will be removed and replaced with a solid wall to create a lobby. The main staff entrance is the back door of the offices. Concrete improvements are included in the project to ensure a contiguous sidewalk into the entrance at the rear of the building for staff. A wall will be constructed to bisect the classroom. An area will be created for reviewing maps, conducting water quality tests, setting up for field procedures, or other tasks related to field work. Within the work space, three remote desk areas will be created to accommodate growth in staff, field staff, and visitors. A bisecting area will feature a door into a conference room to serve as a place for team meetings and any other large meeting needs. Another space will be converted to a smaller private meeting space. No changes are proposed for existing restrooms.

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The college has indicated the building is not subject to any other uses at this time. Adjacent to the leased space is another large classroom, which could benefit the department's education program or training of stormwater employees. The project also includes space for an employee lunchroom and an area for copiers, office equipment, and IT servers. The site presents future opportunities to expand.

Staff is exploring flooring options with carpet in the conference spaces and office spaces consisting of a blend of three different carpets. Staff is working with Windfall Lumber in Tumwater to provide accent panels for the lobby area to accommodate department signage. The paneling is from reclaimed wood pallets from Africa, South America, and Central America. The panels will be sanded and finished. The lunchroom and other work spaces will feature linoleum using a different type of flooring to eliminate removal of existing flooring. The module flooring interlocks and will be installed on top of the existing floor consisting of recycled laminate considered an environmentally sustainable product.

Director Smith described the bidding process with the City utilizing MRSC's Small Works Roster for general contractors. On November 13, 2023, staff conducted a site visit of the project site with five contractors participating and asking questions. The bid submittal deadline was November 29, 2023. The City received two formal bids. The architect's estimate for the project was \$271,498. JA Morris Construction's bid was \$273,094 with another bid received of \$239,856. However, the low bidder was not fully responsive to the request with a number of items missing from the proposal that were necessary for the project. As JA Morris Construction was fully responsive to the request and included a statement of values consistent with the architect's estimate, the company was selected to construct the project.

Staff recommends the committee forward a recommendation to the City Council to approve and authorize the Mayor to sign a Small Works Contract with JA Morris Construction for the Tenant Improvements for City of Tumwater Office Space at South Puget Sound Community College (SPSCC).

Chair Swarthout asked about the possibility of utilizing wood from the Trails End property. Director Smith advised that after discussions with Windfall Lumber and the architect on other options available the recommendation was not to utilize materials from the Trails End property because of the cost to refurbish the materials.

Chair Swarthout added that she was also curious as to the amount of lumber saved from the Trails End property that could be repurposed for the City's new Maintenance and Operations facility.

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Director Hicks advised that staff plans to utilize some of the lumber saved from the former Trails End facility. Most of the lumber will be used in the main lobby of the new facility.

Councilmember Althausen asked about the move-in date for staff. Director Smith responded that based on the construction timeline, the anticipated move-in date would be in mid-May or end of May.

MOTION:

Councilmember Althausen moved, seconded by Chair Swarthout, to recommend the City Council approve and authorize the Mayor to sign a Small Works Contract with JA Morris Construction for the Tenant Improvements for City of Tumwater Office Space at South Puget Sound Community College (SPSCC). A voice vote approved the motion.

WATER SERVICE - COST OF SERVICE RATE STUDY DISCUSSION:

Director Smith reported the Cost of Service Study was approved by the Council as part of the scope of work within the contract with Carollo Engineers.

During the adoption process of the Water System Plan, a number of questions were raised pertaining to policies, financial elements, equity in water rates and connection fees, implementation of rates, and how effective rates are in covering the cost of the capital improvement program for the Water Utility.

The cost of service study will:

- Collect Data
- Develop/Refine Financial Plan
- Analyze Cost of Service
- Design Rate and Fee Schedules
- Develop Rate Model
- Document and Present Cost of Service Study Results
- Evaluation of Additional Rate Design Alternatives

One question of concern surrounds affordability. Traditionally, water systems consider affordability using median household income or the annual cost of a water bill annually. If the cost is 2.5% or less of the median household income, the amount is considered an affordable rate. In Tumwater, the median household income is \$77,849 as of 2023. Tumwater's entire utility bill, based on 2024 analysis, totals \$1,479 annually or less than 2.5%, which is deemed an affordable rate for the community as it is less than 2.5% of the median household income. However, when comparing the rates to a low-income household earning \$31,000 annually, the utility bill is less affordable. The study will consider affordability differently based on recent work completed by Texas A&M University by calculating affordability differently, considering other household bills, and rate comparisons for minimum wage earners.

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The study will explore a new formula identifying household size, income of the household, and other household costs to produce a ratio. Director Smith shared an example scenario that considers two minimum wage earners totaling \$62,400 as the household income and estimated monthly expenses of \$4,757 using University of Washington ALICE data for Thurston County. The result suggested the rates were affordable for the household. The study will examine water rates as well as combined rates of all utilities most customers receive in Tumwater. The second metric of the study will explore rates for minimum wage households. For a minimum wage earner, payment of the utility bill would require a minimum of 7.5 hours of minimum wage work based on a 40-hour workweek. Carollo Engineers will explore rates of both a range of household incomes within the community and the affordability metric of median households, because the City community includes many living in the lower income range.

Another element to be explored in terms of designing a different rate structure is average water use versus essential use. Many customers have irrigation systems with rates typically spiking during summer months. Irrigation is not considered an essential use. Other models consider a certain volume of water integrated within the base rate. In Tumwater, the base rate is approximately \$10 a month. The study will explore opportunities to include additional increments of water per day within the base rate to avoid spikes in bills during summer months.

The study will explore equity in rates and connection fees and whether the City's current rates and fees pay for the impacts of users and City growth. Rates are intended to cover operations, maintenance, treatment, and asset replacements over time. Connection fees are intended to assist in financing future growth of the system.

Historically, Tumwater's connection fees have increased 2% per budget year. During the development of the capital program in 2023, staff recognized larger projects are related to growth and new sources of water. A low 2% increase in connection fees while water rates increase steadily over time resulted in a change by increasing the rate of connection fees to pay more into the system annually.

Councilmember Althaus said he understands that the amount of the connection fee is based on the potential use with a larger connection more expensive than a residential connection. He asked whether the equity assessment would not only consider the size of the connection but the user as well to a greater degree to distinguish between an industrial user requiring larger connections to utilize more water, which also adds stress to the system as large users are able to access water at an economic rate and scale while residential users are essentially subsidizing the entire system to some degree. For example, the impact from a very large business that utilizes more water

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is likely more than the impact from a property owner connecting a new accessory dwelling unit (ADU). Director Smith confirmed it is an issue the study will address because currently, the scale increases for connection fees from a ¾" meter to a 6" meter with larger meters increasing in cost based on a standard calculation the City has utilized from American Water Works Association that is used by utilities across the country. The study will explore the cost of increases to ensure equity and whether larger businesses are paying the appropriate fees based on demands a business places on the system. The study will explore different formulas for increased sizes and whether the methodology for ADUs should be evaluated for a possible change.

The last major policy review was in 2010 resulting in no changes in the policies included within the last Water System Plan. Many policies are included in the Water System Plan encompassing over 11 pages covering customer service, supply, regional policies, and specific water system financial policies. The plan also includes design standards and performance criteria, as well as organizational policies. All policies need re-evaluation in the context of the different department structure, City structure, and changes in some operational practices. The intent is to review the policies prior to the next update of the Water System Plan scheduled in eight years. Staff will conduct a review of existing policies with additional support from the Operations Manager and other departments impacted by the policies. Draft changes will be presented to the committee during the course of the review.

Director Smith invited feedback and suggestions for the consultant to review. He noted a recent conversation with a customer who was interested in the City's metrics for designing the rates from a perspective of affordability and equity for customers.

Manager Soderberg said the cost of service study will be in conjunction with the work to seek new water sources. It is timely to complete both efforts concurrently. Additionally, the consultant is developing a dashboard enabling staff to continually add changes in the cost of services as costs of labor, materials and other charges increase or decrease. The dashboard will also assist staff during the review of equitability cost of service for different types of customers to document how any increases in cost might impact different types of customers. Those two components are vital for staff to make good decisions moving forward as well as how the City establishes its rate payment system.

Chair Swarthout asked whether the City's rate structure distinguishes between single family and multi-family users. Director Smith displayed a graphic depicting different rates for residential customers. Residential customers are charged on a tier structure — the more you use, the more you pay. During summer, water use can triple primarily because of irrigation for both residential and commercial uses. Commercial rates are a static rate and

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typically begin at Tier 2, similar to residential customers. Commercial rates are slightly higher than residential rates. Commercial customers that irrigate property have a separate meter for irrigation to ensure irrigation is not added to the volume of sewer use. The irrigation meter is charged at higher Block 3 of \$3.99 per 100 cubic feet.

Chair Swarthout asked about the rate charged to commercial uses utilizing a significant amount of water. Director Smith replied that large commercial users typically pay a Block 2 rate. Based on volumes, the rates may increase to Block 3 or 4.

Chair Swarthout asked about the extent of available water system services south of the City along Littlerock Road and Old Highway 99. Director Smith said the system does not extend entirely along each corridor to City limits. However, based on a current project off Old Highway 99 related to the reservoir, the City is extending service further south. Through the development process, large developments requiring water are required to extend utilities to the projects, which is typically how the City extends its water system.

Chair Swarthout inquired as to the process the City utilizes to determine the size of water mains to serve future needs, such as the recent water main replacement project along Israel Road. Director Smith said the Israel Road project was a City-sponsored project. If the project had been a developer-driven project, the City's Water System Plan would identify future needs and require oversizing the water main with the City participating in a cost-share to the extent that funds are available through an oversize agreement with the developer. In City-sponsored projects, if a larger water main is required, the City would fund oversizing the water main as part of the capital program.

Discussion ensued on circumstances involving assessments for future development potential and latecomer fees.

Director Smith explained that if new development extends a water main across existing development or if the City determined a need to extend the water main, in both cases a latecomers or special assessment fee would apply to the parcels. At this time, a property owner desiring water and sewer would pay for the cost of extending those services to the property unless there was a specific reason for the City to extend the services, such as mitigating a water quality impact or public health issue.

Because the City is the preferred water system provider within the City's urban growth boundary, any new subdivision developing within the urban growth boundary requires the developer to extend utility services to the development through a partnership with Thurston County.

Chair Swarthout inquired about the timeline for the study. Director Smith

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said the study is scheduled over six months. Most of the study should be completed to help inform the next budget process.

ADJOURNMENT: **With there being no further business, Chair Swarthout adjourned the meeting at 8:58 a.m.**

Prepared by Valerie L. Gow, Recording Secretary/President
Puget Sound Meeting Services, psmsoly@earthlink.net