

City of Bainbridge Island
Utility Advisory Committee

Review and Report Regarding November 2015 Draft Water System Plan

April 25, 2016

Background

In November 2015, Carollo Engineers submitted a draft Water System Plan (“Plan”) to the City of Bainbridge Island (the “City”). The City operates two separate water systems, Winslow (including portions of Fletcher Bay) with 2387 connections (a 2013 figure) and Rockaway Beach with 71 connections (in 2013).

The Plan is an update of the City’s 2005 and 2012 Water System Plans, and was prepared in accordance with Washington State Department of Health requirements in WAC 245-290-100. As such, the Plan covers multiple topics such as: review of the condition of the existing system; projections of future demands; development of a capital improvement plan, and a financial analysis.

In December 2015, the City’s Utility Advisory Committee (“UAC”) was asked to review the Plan, and to submit comments and recommendations about it. Accordingly, on December 14, 2015, Carollo representatives briefed the UAC about the Plan. Thereafter, the UAC devoted a significant portion of its meetings on January 11 and 25, February 8 and 22, March 14 and 28, and April 11 and 25 to considering and analyzing the Plan.

UAC Review and Comments

Initially, the UAC noticed that the Plan was based on data through 2013. As the UAC’s review was commencing in 2016, the UAC recommended that the Plan be revised to include data (which is available) from 2014 and 2015. This seemed particularly appropriate as the City’s water rates were reduced by 30% in August 2013, and the UAC felt the most recent data should be reviewed before the Plan is finalized.

The City staff agreed, and obtained authorization from the City Council for the Plan to be updated. That work has not happened as of yet. Rather than wait, the UAC continued its review and analysis of the Plan with the assumption that the

updated numbers will not significantly change the UAC's conclusions about the Plan.

The Plan generally concludes as follows:

- the Winslow system has adequate water rights and supply capacity to meet future demands of the designated retail service area within the 20 year planning period, proposes a new pressure zone be developed for high elevation customers , and suggests many pipeline upsizing and installation projects;
- the Rockaway Beach system needs another source of water and additional storage capacity for fire flow;
- both water systems are in compliance with water quality monitoring regulations; and
- the City has adequate revenues from water rates and system facility charges to meet expected operating costs, and has more than sufficient reserves to construct CIP projects through at least 2021.

The UAC agrees with these conclusions. In addition, the UAC has the following comments:

1. Winslow CIP. Planned improvements are either required by a build out of the retail service area or are upgrades to meet fire flow requirements. The Winslow service area includes many residences, primarily in the northeast portion of Winslow, that do not obtain water from the City but rather are currently served by independent wells and small systems. The UAC believes there is little likelihood these residents will abandon their current water systems (and pay costs of connection and the City's system facility charges), and thus the UAC suggests the City not plan for capital projects for that area.

Further the Winslow water system serves much of the City's major commercial and civic infrastructure (such as shopping, schools, etc.) and approximately half the island's population density. It should be recognized that this places demands on this water system to expend funds for improvements to meet fire flow standards. As such, much of the CIP is dedicated to, and driven by, the need to meet the City's and Fire District's fire code and related Department of Health requirements, as opposed to projects necessary to improve water supply or water quality.

2. Rockaway Beach CIP. The Plan describes alternatives for the City to solve the supply and storage long term deficiency for Rockaway Beach, and includes within the 2016-21 CIP \$1,000,000 to connect to the Wyckoff well and within the 2022-25 CIP \$3,000,000 for constructing a transmission line to the Winslow water system. The Rockaway Beach system was formed by a Local Improvement District in the mid-1990's, and serves only 71 connections. The UAC feels that there are likely significantly less costly alternatives available to the City, such as constructing an intertie to an adjacent utility. Accordingly, the UAC does not recommend the \$3,000,000 expenditure be included in the 2022-25 CIP.
3. Financial Analysis. The City's water utility has no debt and a substantial beginning fund balance in 2016. The Plan is based on a projected beginning fund balance of \$5,686,516¹. This is well beyond the utility's policy reserve amount of \$319,000 (\$194,000 for operating expenses and \$125,000 for capital). Even though the Plan proposes to spend 75% of this fund balance by 2021 on capital projects, the UAC considered refunding a portion of the reserves to the ratepayers as the CIP projects are in the very early stage of development. However, due to the complexity of such a refund program, the UAC agreed to recommend retaining and using the reserves but not charge rates that cause the reserves to grow, despite \$12.1 million in long range CIP projects. Also, the UAC considered but does not recommend water rates be reduced below its current low level, fearing lower rates would be a disincentive for water conservation.
4. Up-zoning and Expansion of the Retail Service Area. The Plan indicates there are adequate resources to meet the future needs of the Winslow retail service area under the present zoning. As the City is in the midst of updating its Comprehensive Plan, the UAC points out that either expanding the retail and commercial service area or up-zoning areas within the service area could significantly impact the ability of the water system to provide adequate water without the development of additional sources or other improvements.

¹ The actual fund balance on January 1, 2016, was \$6,888,631. The UAC has been advised that this higher than projected balance is primarily due to timing of income and expenditures for construction projects.

5. City Service Areas. The Kitsap County Coordinated Water System Plan assigns the following “Retail Water Service Areas” (“RWSA”) to the City: center of the Island, north of the Island, and the Rockaway Beach system. These RWSA’s are shown in pink and red on Figure ES.1 of the Plan (a copy of which is attached). Within those three RWSA’s, the City’s water system presently serves customers in and plans for properties only in the Winslow RWSA and the Rockaway Beach RWSA. The Winslow RWSA is shown in dark pink and the Rockaway Beach RWSA is shown in red on Figure ES.1 and on Figures ES.4 and ES.5. Water service within the City’s RWSA’s outside the Winslow and Rockaway Beach RWSA’s (into areas labeled on ES.1 as Future Winslow RWSA and Future Rockaway Beach RWSA) is provided by other service providers, typically single wells or very small water systems.

The UAC points out that the Plan does not analyze or discuss the City providing service in the future to any properties inside the Future Winslow and Future Rockaway Beach RWSA’s . In other words, the Plan does not anticipate extending service outside the areas currently served by the City, even though they are within RWSA’s assigned to the City. That is primarily because there has not been much demand for water service from property owners inside the Future Winslow and Future Rockaway Beach RWSA’s, and serving those areas has not been deemed important for economic and efficient operation of water service within the current Winslow and Rockaway Beach RWSA’s.

If, in the future, the City wishes to provide service inside the Future Winslow and Future Rockaway Beach RWSA’s, there are procedures in place within the City to analyze and consider that step. The UAC points out that such a future analysis may require additional sources of water, as the highest projections of supply within the current system show capacity being exceeded in 2035.

6. Water Resource Management. While the Plan is not required to, and does not, include a discussion of water resource management on the Island, the subject is a major concern of the citizenry and has been given considerable attention by City, including retaining Aspect Consulting to update the Island hydrological model. As such, the UAC would like to refer to the recommendations made in the 2005 Water System Plan to protect the Fletcher Bay aquifer by shifting

winter loads from the Fletcher Bay and Sands Well fields (also a part of the Fletcher Bay aquifer) to the Head of the Bay well field. The Kitsap Public Utility District has well(s) also accessing the Fletcher Bay aquifer, and is supportive of a collaborative approach to determining if such a practice can serve to recharge the aquifer for more productive use during peak summer demand.

Approved by the Utility Advisory Committee on April 25, 2016, on a 6-0 vote.



Andrew Maron, Chair
Jeff Kanter, Vice Chair
Ted Jones
Steve Johnson, absent
Nancy Nolan
Emily Sato
Jim Thrash

Attachment: Figure ES.1