2019-20 STORM & SURFACE WATER CONDITION ASSESSMENT PROGRAM OPTIONS

Environmental Services Commission
June 7, 2018

Presentation Outline

• Purpose
• Background
• Problems & Needs
• Business Case Options Developed
• Comparison of Options
• Key Takeaways
• Digital Side Scanning Camera
Purpose

Evaluate service level options for a storm drainage pipe video inspection program with the goal of selecting the optimal program that manages costs, benefits and risks to the Utility and its rate payers.

Background

• Existing condition assessment program covers 7-10 miles per year.
• In 2015, CIP work was started to examine 150 miles
  • 100 miles completed so far – 592 repair work orders averaging 6.2 defects per mile.

Age and Mileage Distribution of Stormwater Pipe System
## Problems & Needs

- 270 miles of the storm system have never been video inspected
- Approximately 16 emergency repairs annually
- 1/3rd of the system has unknown attribute data
- Stormwater lacks dedicated staff for video inspection

## Options Studied

**Base Service Level:** Contracted inspection – 60 year inspection cycle

**Option 1:** Increased contracted inspection - 30 year inspection cycle

**Option 2:** In-house inspection w/New Staff - 20 year inspection cycle

**Option 3:** Contracted inspection - 20 year inspection cycle

**Option 4:** Base case & 100 mile accelerated contracted inspection

**Option 5:** CAMERA UPGRADE In-house inspection 20 year cycle

<table>
<thead>
<tr>
<th>Option</th>
<th>Miles of Pipe Inspected Annually</th>
<th>Miles of Pipe Inspected through 3-year (2019-2021) accelerated Program</th>
<th>Internal Staff vs. External Vendor</th>
<th>System Inspection Cycle</th>
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</thead>
<tbody>
<tr>
<td>Base Case</td>
<td>7.10 NA</td>
<td>External Vendor</td>
<td>60 years</td>
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<tr>
<td>1</td>
<td>13.8 NA</td>
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<td>30 years</td>
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<tr>
<td>2</td>
<td>20.7 NA</td>
<td>Internal Staff</td>
<td>20 years</td>
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<td>External Vendor</td>
<td>20 years</td>
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</tr>
<tr>
<td>3</td>
<td>900 NA</td>
<td>External Vendor</td>
<td>40+ years</td>
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<tr>
<td>3</td>
<td>20.7 NA</td>
<td>Internal Staff</td>
<td>20 years</td>
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Base Service Level

- Contracted video inspection of 7-10 miles a year
- Primarily ahead of Transportation overlay work
- Some investigative capacity
- Existing staff manage the contract

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Option 1: Increased contracted inspection - 30 year cycle

- Increase contract inspection to 14 miles a year
- 50% focused on Transportation overlay work; 50% focused on programmatic inspection
- Allows for additional investigative work
- Existing staff will manage the contract

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Option 2: In-house inspection w/New Staff - 20 year cycle

- In-house inspection of 20 miles annually
- Focused on Transportation overlay work & additional 10 miles of pipe inspection
- Requires one new FTE to operate the camera & manage the program
- Requires one additional seasonal staff to assist

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<td>5</td>
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Option 3: Contracted inspection - 20 year cycle

- Increase contracted inspection to 20 miles a year
- Focused on Transportation overlay work & additional 10+ miles of additional pipe inspection
- Allows for additional investigative work
- Existing staff will manage the contract

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Option 4: Base case + 100 mile accelerated contracted inspection

- Establishes a CIP project for contracted video inspection of 100 miles over two years
- Reverts back to base case after 100 mile accelerated push is completed
- Requires one additional temporary staff to manage the program for 2 Years

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Option 5: CAMERA UPGRADE In-house inspection 20 year cycle

- In-house inspection of 20 miles a year
- Utilizes new camera technologies that allow for faster video review
- No additional FTE's
- Requires one seasonal staff
Business Case Assumptions

- Contracted cost per foot for cleaning and inspection decreases as the footage (miles of pipe) increases.
- Program benefits are calculated by the anticipated number of emergency repairs avoided.
- Failure costs avoided are based on the cost to perform emergency repairs and include other social costs (traffic impacts).
- 10 Year life cycle NPV assumed discount rate of 2.34%
- Used inspection data and work history to inform rate of critical repairs identified in the storm system
- Benefits of performing inspection ahead of Transportation overlay are not included in the analysis – uniform benefits across all options

Financial Comparison of Options

10-year Net Present Value

<table>
<thead>
<tr>
<th>Option</th>
<th>Base Case Contract Inspection 60 Year Inspection Cycle</th>
<th>Option 1 Contract Inspection 30 Year Inspection Cycle</th>
<th>Option 2 In-House Inspection 20 Year Inspection Cycle (Conventional Camera)</th>
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<tr>
<td>10-year PV Cost Only</td>
<td>-$1,538,000</td>
<td>-$3,033,000</td>
<td>-$3,744,000</td>
<td>-$4,095,000</td>
<td>-$3,278,000</td>
<td>-$2,857,000</td>
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<tr>
<td>10-year PV Benefits Only</td>
<td>$1,403,000</td>
<td>$2,766,000</td>
<td>$4,149,000</td>
<td>$4,149,000</td>
<td>$3,557,000</td>
<td>$4,149,000</td>
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<tr>
<td>10-year NPV</td>
<td>-$135,000</td>
<td>-$267,000</td>
<td>$405,000</td>
<td>$54,000</td>
<td>$279,000</td>
<td>$1,292,000</td>
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## Financial Comparison of Options

### 10-year Net Present Value

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<td>$1,292,000</td>
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### Key Takeaways from Analysis

- Option 5 - Investing in new camera technology has the highest benefit (NPV)
- Establishes a reasonable condition assessment schedule (20 years)
- Minimal increase in staffing (one seasonal staff to assist)
- Provides additional resource to support corrective maintenance repairs
2019-2020 Budget Impacts

<table>
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<th>2019</th>
<th>2020</th>
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<tr>
<td>Proposed Program</td>
<td>$229,136</td>
<td>$235,099</td>
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<tr>
<td>Base Case 140.23 PA</td>
<td>$157,386</td>
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<tr>
<td>Option 5 140.23DA</td>
<td>$71,750</td>
<td>$73,828</td>
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Digital Side Scanning Camera

Benefits vs a traditional video camera:
- No need for stopping to code pipe defects increases productivity/coding back in the office using larger monitors – less traffic impacts/coding is a one person job
- 360 degree viewable area for footage review improves assessment and removes subjectivity
- Picture stitching/flat view display allows for faster review by O&M/Engineering; one stop shop for Engineers
- No moving parts in the camera – fewer breakdowns

https://www.youtube.com/watch?v=mHAVH_06uME
Questions?
# Midlakes Pump Station Cost Update

(Sewer CIP Project #S-61)

<table>
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<tr>
<td>2017-23 Sp. Plan (000s)</td>
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<td>2019-25 Sp. Plan (000s)</td>
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<td>$3,300</td>
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<td>$11</td>
<td>$0</td>
<td>$2,874</td>
<td>$3,355</td>
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All figures inflated to year of construction

- Pump station siting and design complexities
- Mitigation of construction risks related to artesian aquifer and potential site settlement
- Increased design budget for added structural design
- Increased construction budget to reflect updated construction cost estimate and preparation of a more complex operating manual
- Construction: Jan 2019 – Dec 2020
Agenda


2019-2020 Operating Budget Review – June 7

Rate Review – June 21
Budget Development Process

- Policies
  - City & State Codes
  - Regulatory Constraints
  - Contracts/Agreements
- Services - Mandatory
- Services – Optional
- Service Levels
- Effective/Efficient Delivery
- Operating & Capital Budgets
- Revenue Requirement
- Rate-Making Policies
- Rates

Early Outlook Forecast – March 2018
Typical Residential Combined Water, Sewer, & Storm Utility Monthly Bill Rate Drivers

<table>
<thead>
<tr>
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<th>2019 Bill Change</th>
<th>2020 Bill Change</th>
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<tr>
<td>Prior Year Monthly Bill</td>
<td>$169.55</td>
<td>$177.91</td>
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<tr>
<td>Wholesale costs</td>
<td>2.1%</td>
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<td>$3.56</td>
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<tr>
<td>Local</td>
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<td>CIP</td>
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<tr>
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<td>Taxes and Interfunds</td>
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<td>Operations</td>
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<td>1.22</td>
<td>1.24</td>
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<tr>
<td>Total Local</td>
<td>2.8%</td>
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<tr>
<td></td>
<td>$4.80</td>
<td>$4.93</td>
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<tr>
<td>Total Increase</td>
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<td>$8.36</td>
<td>$6.75</td>
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<tr>
<td>New Monthly Bill</td>
<td>$177.91</td>
<td>$184.66</td>
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Budget Priorities

• Sustainable high quality utility services
  • Responsible management of infrastructure assets
  • Long-term financial sustainability

• Certainty and predictability of rates

➤ Goal: Maintain services with minimal new requests

2019-2020 Operating Budget Highlights
Proposed 2019-2020 Utilities Budget

$316.2M, 183.0 FTE/LTE

30% Capital Related:
- CIP Support $95.1M, 34.9 FTE/LTE
- CIP Design and Management

52% Financial Obligations:
- Taxes & Support Services $47.7M
- Water Supply/RCFCs $47.3M, 0.5 FTE/LTE
- Wastewater Treatment $69.1M

18% Local Operations:
- Local Operations $57.0M, 147.6 FTE/LTE
- Operations & Maintenance
- Customer Service/Outreach
- Engineering System Planning
- Development Services
- Support Systems/Assets
- Management/Regulatory

Excludes operating reserves

2019-2020 New Requests

Maintain Current Service Levels
- Coal Creek Utility District (CCUD) Reservoir Coating ($750K)
- Maintain Customer Service ($37K/yr, 0.25FTE)

Service Enhancement
- Storm video inspection program ($71K/yr)
Implementation of Previously Approved AMI Project

**Fully Funded by CIP**
- AMI Implementation Temporary Staffing
  - 2 Field support
  - 2 customer service
  - 2 GIS mapping

**Fully Funded by Existing Staffing Budget**
- Meter Reading Temporary Staffing
  - 2 meter readers

2019-2020 Operating Proposals Review
Capital Related Operating Proposals

$95.1M, 34.9 FTE/LTE

- $3.5B system infrastructure
  - 1,700 miles of pipes
  - 24 water reservoirs
  - 68 pump stations
  - 19 miles of submerged sewer lakelines

- Delivery of 2019-2020 CIP
  - Aging infrastructure
  - Capacity for growth
  - Environmental preservation
  - Customer enhancement

Financial Obligations - Wholesale, RCFC, Taxes

$164.1M, 0.5 FTE/LTE

- Contractual and legal obligations
  - Water supply contract with Cascade Water Alliance
  - Wastewater contract with King County
  - State & local taxes/franchise fees
  - Support services - rent, IT, HR, etc.
Local Operations

2019-2020 Budget

Customer Service / Outreach

$9.2M, 23.8 FTE/LTE

- 38,000 customer accounts
- 20,000 meter reads monthly
- 5,000 bills weekly
- 125 customer calls daily
- 4,500 move requests yearly
- Rate relief for 1,100 residents
- $24M solid waste contract

Cost Drivers Beyond Inflation
- Merchant fees
- 0.25 FTE Billing Account Rep
Support Systems / Assets

$8.9M, 14.8 FTE/LTE

- **Systems Management**
  - SCADA
  - Customer Information System (CIS)
  - Maximo
  - GIS mapping

- **Asset Replacement**
  - Vactors, CCTV vans, vehicles
  - Technology systems

- **Fiscal Management**
  - $316M Operating Budget
  - $218M CIP

Utilities Development Services

$4.4M; 14.9 FTE/LTE

- **Design review & construction inspection** for public utilities needed for private & public developments

- **Ensures compliance with local, state and federal regulations**

- **Cost Drivers Beyond Inflation**
  - Increased reviews and inspections due to development growth
Utility System Planning for our $3.5B utility infrastructure

- Utility System Plans – Water, Sewer, and Stormwater
- Asset Management Planning
- Infrastructure needs assessment
  - O&M input
  - Direct customer input
- Seismic vulnerability assessment and mitigation planning
- Water Rights & Wells Master Plan
- Stormwater Strategic Initiatives
- 7 – Year CIP Development

Water System
- 40,000 water connections
- 610 miles of water mains
- 24 reservoirs
- 22 pump stations
- 62 pressure zones
- 10,000 valves
- 5,800 fire hydrants

Cost Drivers Beyond Inflation
- CCUD reservoir coating - $750K
- Water service supplies
Operations and Maintenance – Sewer

$7.9M, 25.7 FTE/LTE

- Wastewater System
  - 640 miles of pipe
  - 46 pump & flush stations
  - 14,000 maintenance holes
  - 34 major connections to King County system
  - 19 miles of submerged lakelines

Operations and Maintenance – Storm & Surface Water

$7.0M, 17.6 FTE/LTE

- Storm and Surface Water System
  - 20,000 public storm drains
  - 400 miles of pipes
  - 350 city-owned residential detention facilities
  - 11 city-owned regional detention facilities
  - 80 miles of open streams
  - 864 acres of protected wetlands
  - Regulatory Compliance (NPDES, ESA)

- Cost Drivers Beyond Inflation
  - Increase inspection from 7 miles to 20 miles per year
  - Temp help/supply costs
2019-2020 Budget

Regulatory

$3.9M, 11.3 FTE/LTE

- Federal and State regulations
  - Safe Drinking Water Act
  - NPDES Permit
  - Clean Water Act

- Private System Maintenance
  - Cross-Connection/Backflow
  - Private Drainage Inspections
  - Fats, Oils, Grease (FOG)

- Utility Locates (Call 811)

Utility Locates $0.8M
3.4 FTE/LTE

Private Utility Systems Maint
$1.4M
4.6 FTE/LTE

Water Quality Regulatory Compliance
$1.7M
3.3 FTE/LTE

2019-2020 Budget

Department Management

- $1.7M, 4.0 FTE/LTE

- Departmental leadership
  - Strategic Planning
  - Policy Implementation
  - Industry Best Practices
  - Stewardship of Resources
  - Innovation & Process Improvements
  - Workforce Development
  - Regional Collaboration

2019-2020 Budget
### Proposed Utilities FTE/LTE Changes

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<tr>
<th></th>
<th>FTEs</th>
<th>LTEs</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td><strong>Authorized - 2018</strong></td>
<td>173.75</td>
<td>2.00</td>
<td>175.75</td>
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<tr>
<td>Billing Account Rep</td>
<td>0.25</td>
<td></td>
<td>0.25</td>
</tr>
<tr>
<td>AMI</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementation Support</td>
<td>6.00</td>
<td></td>
<td>6.00</td>
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<tr>
<td>Meter Reader</td>
<td>2.00</td>
<td></td>
<td>2.00</td>
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<tr>
<td>Maint Worker (expires end of 2018)</td>
<td>(1.00)</td>
<td>(1.00)</td>
<td>(1.00)</td>
</tr>
<tr>
<td><strong>Total Change</strong></td>
<td>0.25</td>
<td>7.00</td>
<td>7.25</td>
</tr>
<tr>
<td><strong>Requested - 2019-20 Budget</strong></td>
<td>174.00</td>
<td>9.00</td>
<td>183.00</td>
</tr>
</tbody>
</table>

FTE: Full Time Equivalent; LTE: Limited Term Employee

### Next Steps

- June 21
  - Rate Review & Discussion
  - Commission’s budget proposal recommendation to Leadership Team
Our Customers Expect High Quality Services

- High customer service rating
  - 87% customer satisfaction

- Solid financial management
  - High bond rating – Aa1
  - No debt

- National standards of excellence
  - APWA Accreditation
  - AMWA Platinum Award
  - AMWA Sustainable Water Utility Management Award