



CAPITOL LAKE — DESCHUTES ESTUARY

Long-Term Management Project Environmental Impact Statement

Meeting Notes Summary

Date: September 20, 2019

Time: 1:00 to 4:00 p.m.

Location: 1500 Jefferson St., Olympia, WA

Topic: Executive and Funding & Governance
Work Groups Joint Meeting

Meeting Participants

Executive Work Group Members

- Jeff Dickison, Squaxin Island Tribe
- Pete Kmet, City of Tumwater
- Ann Larson (for Chris Liu), Department of Enterprise Services
- Cynthia Pratt, LOTT Board Member
- E.J. Zita, Port of Olympia (phone)
- Cheryl Selby, City of Olympia

Funding and Governance Work Group Members

- John Doan, City of Tumwater
- Sam Gibboney, Port of Olympia
- Rich Hoey, City of Olympia
- Justin Long, LOTT Clean Water Alliance
- Ray Peters, Squaxin Island Tribe
- Michael Strub, LOTT Clean Water Alliance
- Kristin Swenddal, Washington Department of Natural Resources (WDNR)
- Lynne McGuire, Department of Enterprise Services

Department of Enterprise Services

- Linda Farmer (phone)
- Carrie Martin

EIS Facilitators/Consultants

- Adam Domanski, ECONorthwest
- Lorelei Juntunen, ECONorthwest
- Tessa Gardner-Brown, Floyd|Snider
- Jessi Massingale, Floyd|Snider
- Ray Outlaw, EnviroIssues

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- Sarah Reich, EOCNorthwest (phone)

Observers

- John DeMeyer, Olympia Yacht Club
- Lisa Dennis-Perez, LOTT Clean Water Alliance
- Bill Frare, Department of Enterprise Services
- Richelle Geiger, House of Representatives – Capital Budget
- Ashley Howard, Department of Enterprise Services
- Ali Johnson, DERT
- Jen Masterson, Office of Financial Management
- Bill McGregor, Port of Olympia
- Sue Patnude, DERT
- Steve Shanewise, DELI
- Bob Wubbena, CLIPA

Meeting Notes Summary

Ann Larson, Department of Enterprise Services (Enterprise Services) Director of Government Relations welcomed everyone to this joint meeting and led introductions. Ann attended on behalf of Chris Lui and thanked all participants for their time.

Jessi welcomed Executive Work Group (EWG) and Funding and Governance Work Group (FGWG) members and noted the meeting is being recorded, consistent with EWG precedent.

Jessi explained that since these work groups last met in June the Environmental Impact Statement (EIS) Project Team (Team) revised the FGWG process map, based on feedback received. The Team added today's meeting and two additional dates for joint meetings for collaborative discussion to help inform how to move forward. One following issuance of the draft EIS and one following a decision on the preferred alternative.

The Team also added three Council/Commission process briefings to be conducted by work group members with the support of the Team. For example, if the City of Olympia and Port of Olympia were conducting briefings with their respective council or commission, the Team would provide materials and support as needed.

Question: Would the briefings occur in early 2020? Yes, but this is flexible for when these meetings may be needed by individual government schedules.

Jessi reminded participants to reach out with additional questions and comments.

Jessi explained that Jeff Gadman, Thurston County, was unfortunately unable to attend this meeting. Commissioner Hutchings was also unable to attend due to a state meeting but provided Jessi a message on his behalf that was later shared.

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Economic Foundations for Funding and Governance

Adam Domanski provided a presentation titled Economic Foundations for Funding and Governance (see [presentation](#)). He explained the presentation was a version of one provided to the FGWG in June, who requested this information also be shared with the EWG.

The challenge is to develop a funding and governance agreement that finances the preferred alternative that is efficient, equitable, and sustainable.

Adam reviewed the project's previously established guiding principles, noting they are very consistent with foundational economic theory.

- Dedicated and secure funding sources
- **Those who contribute to the problem should participate in funding or paying for the solution**
- **Those who benefit from the solution should participate in funding or paying for the solution**
- **Shared distribution of costs**
- **State participation**
- **Watershed-wide in scale**
- Manageable governance structure
- Commitment to a long-term collaborative process
- Adequately resourced administration
- Support the goals and objectives of the long-term management plan and the future of the overall watershed

Economic theory – How do we define value?

Adam explained rival and non-rival goods in two dimensions: excludable (can prevent access) and rival (if I get it no one else can). He explained the resulting four types of goods and provided examples.

- Private (rival, excludable)
- Common (rival, non-excludable)
- Club (non-rival, excludable)
- Public (non-rival, non-excludable)

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Implications of Funding Mechanisms (examples)

Potential Change	Type of Value	Potential Funding Mechanism
Local Property Values	Private	Local Property Tax Levy
Downtown Business Revenue	Private	Sales Tax
Budd Inlet Dredging Costs	Private/Club	Direct transfer to/from marina and Port
Fishery Catch rates	Common	License/Permit Fee
Non-use Ecosystem Services	Public	Direct funding from/to DNR, Ecology
Recreational Use Value	Public	Direct funding from/to City of Olympia

Adam explained it is important to identify the good, the type of value, and the mechanisms available to capture it.

Economic theory – How do we define efficiency?

Adam explained pareto efficient outcomes which occur when some event or exchange occurs, and one party is better and no party is worse off. The goal is to have an outcome and funding mechanism that meets these criteria.

Economic theory – What conditions help lead to agreement?

Adam introduced Coasian Bargaining noting there are multiple ways to achieve a socially optimal solution.

Economic theory – How does equity affect agreement?

Going forward, it is important to think about benefits and costs and where property rights lie. Is there costless bargaining? Do we have the right people to negotiate an outcome?

He described the typical results when testing the equitability of agreements. The absolute amount of money typically does not matter as much as the share (percentage). He added that if there is a sense of veto power, what are the conditions to pass the ultimatum game?

Adam reviewed a classic economics scenario involving a factory generating pollution affecting a fisherman downstream not all that different from the conditions around this project.

Applying Theory to Practice

Adam described the steps required to achieve an equitable funding and governance outcome.

- Identify beneficiaries and types of value

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- Are property rights clearly understood?
- Is bargaining costless (are the right people at the table)?
- What does an efficient outcome look like?
- Are any parties going to be made worse off?
- Is an outcome equitable?

Jessi explained the importance of a shared understanding of the foundational theories that will guide our work going forward.

Application to Funding and Governance Options

Adam began reviewing potential funding mechanisms and asked the group for initial feedback regarding anything that may be missing. Going forward the group will need to discuss these with more detail as we consider magnitudes. Adam reviewed the following examples (see [presentation](#)):

- Lake-Based Recreation (boating, fishing)
- Trail-Based Recreation (walking, biking, running)
- Park-Based Recreation (community events, individual use, private events)
- Downstream Recreation (channel navigation)
- Local Property Values (changes in views, amenities)
- Traded-Sector Activity (channel navigation)
- Downtown Business Activity (tourism, local visitors)
- Water Quality (TMDL pollution reduction allocations)
- Cultural/Spiritual Importance (heritage, traditional use)
- Science and Education
- Fish and Wildlife Habitat (regulatory compliance, use and non-use value)
- Flood Protection/SLR Mitigation

Comment: Lake-based recreation could be broadened to “water-based” to reflect a lake or estuary so it does not endorse a specific alternative.

Comment: It is difficult to understand channel navigation as solely a private value. It should have an element of public value, for example the federal government is heavily invested in maintaining channel operations for the military. There could be other circumstances where the public is a beneficiary such as emergency and natural disaster response.

Comment: LOTT and the Port, as entities are not really benefiting, it is the rate payers. There is a second tier of benefits.

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Comment: The navigation channel is federal asset that is managed by the federal government for the public good. The US Army Corps of Engineers manages this system of public access and waterways.

Comment: LOTT includes business and residential customers, so it is not a “traditional” public good. We think of LOTT as an entity representing a broader set of users. We should think about the benefits and costs to LOTT and how those benefits are accruing. For LOTT, if we are talking about regulatory costs it is easier to quantify how those costs are transferred to rate payers. Ecological services are more difficult to quantify. Is the benefit to the rate payer for anything other than changes in rates?

Question: How does the concept “I just want a better environment” fit in? That is the notion of non-use values. There are ways to calculate that, but it is harder to identify the market that we could tax or impose a fee on.

Comment: The tribe has been unwilling to submit cultural and spiritual information into an economic analysis because it implies some monetary value can be attributed to them. Fish and wildlife habitat effects tribes differently than state agencies or the public because it is a reserved right of the tribes.

Adam noted that fish and wildlife habitat is distinct because there are ways the state can compensate with other habitat (e.g. offsite mitigation).

Comment: Downtown business as a private beneficiary makes sense but having a vibrant downtown has a public value as well.

Adam clarified that for any of these outcomes the public value may be enjoying the space; that may fit in recreational use category.

Funding mechanisms

Lorelei Juntunen explained that we are aiming for agreement on funding and governance elements that would be common across the alternatives in the short term. We are still in the very early phases and have designed a process that includes multiple conversations that helps us narrow down to something that feels like we can all agree on. There is no decision-making that needs to happen today, but the Team does need input on the framework and mechanisms so that we can come back to the next meeting with discussions that are informed by your feedback.

Lorelei explained the mechanisms to be discussed should look familiar because they have been discussed throughout Adam’s presentation and are referenced in handouts, which contain

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additional detail. Lorelei added it is very difficult to talk about funding or governance independently.

Fees

It is important to recognize we will need funding to invest in the preferred alternative up front and then ongoing to operate and maintain the preferred alternative. Fees produce an ongoing stream of revenue, but they also impose costs. That revenue stream may be small depending on how they are structured.

Taxes and Rates

Utility rates require a utility that can collect that fee. It can be very useful for an ongoing stream of revenue, and you can bond against it for upfront costs.

Property taxes need a jurisdictional boundary and an entity to collect it. It provides ongoing revenue, but you can also bond against it for upfront costs.

Sales tax is one of only a few mechanisms that can capture revenue from non-local beneficiaries (e.g. tourism).

A local improvement district (LID) is a group of property owners that agree to tax themselves for a benefit they all receive. The geography is determined based on the funding source itself and it requires a vote.

State funds recognize the broad public benefit and the guiding principle that said state would participate.

Contributions could come from grants or private donations.

Question: Why are federal funding sources not included? Federal funding should be included under direct transfers.

Question: How many of these would require voter approval? Many but not all.

Governance Models

Lorelei shared the Phase 1 comparison of models for reference, which the team built heavily upon.

Comment: LOTT is a non-profit, but it is owned by the jurisdictions.

Comment: Where is the Port on this list? The Port is a form of a special district.

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Special districts are public entities with their own geographic boundaries. We could create a new district (park, clean water). Fundamentally they are public entities and can collect taxes which you can bond against. Statutes for each district will determine how you can use those funds.

Public Development Authority (PDA) is a Washington State concept, it is a quasi-public entity, formed by charter with a governing board. Pike Place Market is an example. PDAs can't collect their own taxes but have access to public and private funding sources.

Legal agreements are very commonly used in situations like this, for example the Chesapeake Bay model. It is a binding legal document with numerous requirements. It could be used for upfront costs and/or ongoing maintenance. These are commonly used for public-private partnerships. It may end up looking like an intergovernmental agreement depending on the parties involved.

Non-profits are organizations structured to accept and use revenue.

These are not mutually exclusive. It is possible there will be a mix of these that would fund and govern upfront and ongoing costs.

Lorelei referenced a draft matrix that will be completed later. We want to make sure we have the rows and columns correct. Selection of a governance model will affect which funding tools you can use and how you might use them. For example, a non-profit would not be able to levy taxes. A special district could not accept donations. Ultimately, we want to put together a capital stack (collection of funding options).

Comment: With regard to a non-profit, we may want to include some kind of quasi-public entity that is subject to state audits. That would require legal counsel.

Comment: Thurston County and the Port of Olympia should be included on the list.

Comment: It would be beneficial to add column for items that would require voter approval.

Comment: We should note what options would require statutory changes.

Comment: In 2013 the state passed the Joint Municipal Utilities Services Act (JMUSA) that allows entities to form a utility but uses existing elected officials to serve as the governing body, which make it different from a special purpose district. LOTT became a corporation because municipalities did not want to give up the governance and there was nothing in existence at that time to form a public agency. JMUSA created the platform to use existing elected bodies.

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Comment: The guiding principles are missing an element – those who are impacted must be made whole. There is an element of federal and constitutional treaty rights that is wholly different. Unintended or no consequences are not captured, what about impacts to those that are downstream? The federal channel is not contributing to the issue, it may or not benefit, and it may or may not be impacted. If this group develops a solution but it is not supported at the federal level, then it really isn't feasible.

Comment: Was there consideration of a funding structure that may sunset when certain conditions are met, specifically to measure or assess differences between alternatives? For example, if you had a lake it implies a permanent level of maintenance and manipulation to maintain it. If you chose an estuary there is some period of time required to restore to an estuary function but at some point, the estuary would reach a baseline at which point you no longer need to maintain it beyond maintaining the shipping channel. You may want to sunset a funding structure use for quite some time and revert to a different funding structure to accommodate the resulting conditions. It was discussed with the FGWG previously and that concept is certainly not off the table. It is a potential distinction between alternatives. Realistically that is a level of detail we would not be able to assess until after the preferred alternative is selected.

Comment: I'm struggling with the phrase State participation. It is a state park, the dam is owned by the State, the State built infrastructure along Deschutes Parkway. This a State issue that is in the middle of the city and there must be a lot more than just 'participation' unless the State is not going to have a state park there anymore.

Question: Is Enterprise Services representing someone from the governor's office? Who created the dam and infrastructure? Who made those decisions? They should be involved.

Question: The FGWG has often talked about how the upfront solution funding model will look very different from the ongoing maintenance model. How far can we go not knowing what the preferred alternative is? Lorelei said the team has grappled with that a little and we should be able to eliminate some options, especially on the funding options. It might end up looking like if A this path, if B that path. Jessi stated that the EIS team has discussed the importance of being mindful of not doubling efforts so that we can maximize use of available funds.

Comment: Could we look at the cost estimates and the differences between alternatives? The EIS will include planning level construction and maintenance costs based on conceptual design so we can compare them. Those costs would be further developed once a preferred alternative is selected.

Comment: Would it be helpful to understand the preferred alternative? To me it is too early to move anything off the table. Jessi said the benefit to us all is to remove those options that are

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not viable and have a good amount of work identified. We might end up going deeper into two scenarios running side by side, but the best opportunity is to have a plan and to launch into the next step on the heels of selecting a preferred alternative so we can move as efficiently and quickly as possible towards implementation. If the group feels like that is not possible, we would like to hear that, with the caveat it is not the FGWG's responsibility to select the preferred alternative.

Question: Did you discuss the potential for something new given that this is a unique situation? We may need a hybrid of some kind or help from the state legislature to create the authority needed. We also may find that any one of these boxes leads to a dead end.

Comment: JMUSA was effectively passed for one utility district; it was custom built for their needs.

Lorelei explained the output could be a priority order of solutions for each alternative.

Question: Does anyone have concerns that this level of specificity could make alternatives targets because of funding sources? The EIS should look at the merits of each alternative independent of funding. Tessa explained this is consistent with the original process identified in that it is designed to allow the technical work to occur first and for funding and governance work to advance separate from the technical work and to further ramp up after the preferred alternative is selected.

Comment: With regard to SEPA, funding should not affect preferred alternative selection. We are mindful of that and have a shared understanding that the FGWG goal runs parallel to and separate from the technical analysis. Technical teams are working in a different space. If these processes can run parallel, we can minimize the delay between the two. Planning level costs are part of the draft EIS. We will understand costs then and have another year before the Final EIS with the preferred alternative is issued.

Comment: The Chesapeake Bay model is funded through the National Estuary Program, that should not be left out.

Comment: A Special Development District has limitations in terms of how many times it can but used however there have been some changes in the past. There may be an opportunity to amend that to allow additional levies.

Jessi thanked the group for their feedback.

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Project updates

Ann thanked everyone for their continued commitment. Enterprise Services is submitting a \$2.4 million supplemental budget request, which is needed to complete the full scope of Phase 2. Enterprise Services has been discussing a letter of support with EWG members that provides a commitment to explore shared funding of the FGWG process. All EWG members were provided a copy of the letter for co-signatures to demonstrate that shared commitment.

Jessi shared that Thurston County has reviewed the letter and is in support. Commissioner Hutchings said they will be signing the letter soon.

The Port of Olympia is in a similar situation. It is on the commission agenda for Monday, Sept. 23. They have had two discussions and no objections are expected. There will be a motion to approve at the meeting, but Comm. Zita has verbal support to move forward.

Ann added that this letter is very helpful when meeting with legislative staff and electeds; this is a positive way to show commitment from this body and all the good work this body has done.

The City of Olympia feels it is prudent to sign the letter and can find contributions.

The City of Tumwater discussed with council and is authorized to sign the letter.

LOTT has also discussed and supports the letter.

Question: When is the request for funds likely to occur? It will likely be in 2020, but each municipality has different needs. Enterprise Services will work with each entity. Funds are not due up front but the letter signals commitment to find that funding.

Ann reiterated Enterprise Services' appreciation for this shared commitment.

Question: Where is the tribe at with the funding letter? The Tribe will send its own support letter as a sovereign government. The tribe felt it was more appropriate to communicate its position independently.

Question –Are you asking the entities to pay for FGWG work which includes contractors (approximately \$300K)? The letter does not commit any specific amounts to entities but gives us a way to move forward. Enterprise Services is flexible on dates, timing and will work with each entity going forward.

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EIS Updates

Tessa thanked each of the organizations present and recognized that staff from each entity have provided time and data, and it has been amazing to work in this collaborative environment with the group. It is clear there is a shared commitment to complete the EIS and identify a preferred alternative.

Jessi said the Team is deep into developing the EIS now. The objective was to conduct the bathymetric survey this summer. That shifted due to the spill response by Ecology. When staff attempted the survey in July it was at peak vegetation growth in the lake. The team also had concerns about data quality, so the survey was delayed until fall and is now targeted for November. This should provide for better conditions for high quality data. The bathymetric survey data feeds into and informs modelling and many other elements of the EIS. The spill was unfortunate for many reasons, one of which was this shift.

Next Meeting

Next scheduled meeting is in November; there will be a full meeting series the week before Thanksgiving. The team will make sure to provide the agenda and materials in advance. Please feel free to provide feedback.

Round-Table Feedback

None

Public Comment

Bob Wubbena, CLIPA, explained he has been in the agency position before and understands the challenges. He expressed concern that the economic analysis may be missing some things. He noted a new fish hatchery being developed up stream that could contribute to waste downstream. He also suggested Capitol Lake offers a natural treatment process. Ecology refers to Capitol Lake as a major source of pollutants. He added that if sediment management becomes important that lake with a dredging system is a straightforward sediment management system.

Sue Patnude, DERT, thanked the group and noted that she would like to see things move faster but understands that good things take a long time. She disagreed with Bob's comments and expressed appreciation that the EIS will use peer reviewed Ecology science. Sue reminded the group to take into consideration the lifecycle of the dam, which may be difficult to replace if it fails. She expressed excitement that LOTT is involved and invited anyone interested to a DERT event on Oct. 19, 2019.

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Steve Shanewise, DELI, asked if it is possible to announce when people would be able to provide public comment in support of the additional funding. Many would be willing to write letters of support.

Adjourn

Ann and Jessi thanked the group for taking the time to meet and adjourned the meeting.