



# CAPITOL LAKE — DESCHUTES ESTUARY

Long-Term Management Project Environmental Impact Statement

## Meeting Notes Summary

**Date:** June 7, 2019

**Time:** 9 to 11 a.m.

**Location:** Jefferson Building

**Topic:** CLDE EIS: Funding and Governance Work  
Group Meeting

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### Meeting Participants

#### *Work Group Members*

- John Doan, City of Tumwater
- Len Faucher, Port of Olympia
- Jeff Gadman, Thurston County
- Rich Hoey, City of Olympia
- Justin Long, LOTT Clean Water Alliance
- Michael Strub, LOTT Clean Water Alliance
- Kristin Swenddal, Washington Department of Natural Resources (WDNR)

#### *Department of Enterprise Services*

- Carrie Martin
- Lynne McGuire

#### *EIS Consultants/Facilitators*

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

#### *Others*

- Sue Patnude, DERT
- Meg VanShoorl, Olympia Yacht Club

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### *Welcome and Introductions*

Jessi Massingale welcomed attendees to the June 7, 2019 Funding and Governance Work Group (FGWG) meeting. She said the EIS Project Team was excited to re-engage with the FGWG, having postponed the April meeting. Jessi introduced ECONorthwest staff in attendance, Adam Domanski and Lorelei Juntunen. ECONorthwest is part of the EIS Project Team and has two distinct responsibilities. They will complete the economic analysis and help the FGWG identify a shared funding and governance model.

Jessi introduced a draft process map specific to developing a shared funding and governance model. This is similar to the Phase 1 and Phase 2 process maps (see presentation). This concept was shared with the Executive Work Group (EWG) at their June 6 meeting. The EWG was briefed on expected high level outcomes and integration between the EWG and FGWG.

Jessi described a joint EWG and FGWG meeting in the September or October timeframe.

Lynne McGuire explained the role of the FGWG is established in the legislative proviso – this group remains advisory to the EWG and whomever are the ultimate signatories of a shared funding and governance agreement. Enterprise Services is excited about how this group proceeds to tackle this complex challenge.

### *Overview of Outcomes and Process to Develop Funding and Governance Agreement*

Lorelei discussed the process that describes how ECONorthwest expects to provide advice to the FGWG and EWG about the mix of options that will be needed to fund the preferred alternative. During the alternatives phase (leading into the Draft EIS) the focus will be to identify funding components that are common across all alternatives. When a preferred alternative is known the focus will transition to thinking about how those common components apply specifically to the preferred alternative.

Lorelei described how the work will be broken into four phases. Three occurring in parallel with the development of the Draft Environmental Impact Statement (EIS) and the final occurring when a preferred alternative is known.

### **Develop foundations**

Over two meetings the FGWG will develop a foundational understanding of what the group has considered previously and a range of funding and governance options. Meeting one (today) will discuss economic fundamentals. Meeting two, joint with the EWG, will focus on a list of potential options for funding and governance (prepared by ECONorthwest).

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## Information exchange

Over two meetings the FGWG will develop preferred funding and governance options that are common across all alternatives. Although they are linked, the two meetings will consider funding and governance options somewhat separately. After this, the EIS Project Team will have enough information to develop and present options for the FGWG to consider.

## Building the funding and governance framework

Over two meetings the FGWG will review and discuss a draft funding and governance framework developed by the EIS Project Team. This phase concludes with another joint EWG and FGWG meeting, prior to the completion and issuance of the Draft EIS.

## Formalize the funding and governance agreement

When a preferred alternative is identified, the EIS Project Team will pull the pieces together into a funding and governance framework applicable to the preferred alternative. This phase includes another joint meeting with the EWG.

Jessi added the councils and commissions represented by the EWG will need to be engaged. The EWG expressed interest in a joint meeting with these councils and commissions. **The EIS Project Team will consider this and present recommendations during the next meeting.** It will require significant coordination to convene this large group and fulfill noticing requirements.

Jessi said the EWG asked if the funding and governance roadmap can be incorporated into the more encompassing process roadmap. Although space is limited in the graphic, **Jessi will work to incorporate key elements so there is a representation of how the funding and governance work integrates into the EIS process.** The funding and governance process is running parallel to the EIS and is of equal importance as the preferred alternative.

*FGWG comment: The larger process map is important to identify the engagement with the larger government bodies.*

*FGWG question: When and how will we get the presentation and materials from today?*

**The EIS Project Team will provide the presentation and draft content map via email, which will also include a poll to schedule the next meeting.** Other work groups have requested materials in advance to allow time for review and reflection; this should occur in advance of the next meeting.

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Jessi said meetings are continuing on a roughly quarterly sequence which allows time for the EIS Project Team to complete work and develop materials. The next meeting will include substantial content.

Jessi said it is important to bring the EIS and FGWG along on parallel tracks. We need to show in the draft EIS that there is a plan for funding the alternatives and in the final EIS that there is a plan for funding the preferred alternative.

Jessi discussed possible dates for the next (joint) meeting. The EWG discussed three possible dates, Sept. 11, 12, and 13. The only viable date was Sept. 13. Jeff Gadman noted he is unavailable Sept. 9 through Sept. 23. The Port of Olympia is participating in an Economic Development Council trip to China – earmarked for early to mid-September. **Jessi will send a poll to schedule the next meeting, cautioning there may be a lot of options in order to schedule a time with both the EWG and FGWG.**

## *Economic Foundations Presentation*

Adam provide a presentation titled Economic Foundations for Funding and Governance (see [attached meeting materials](#)). He explained that while this project is challenging it is not unique. The goal to today's presentation is to focus on the lingo of economics needed to carry these concepts forward.

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 current 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

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- Adequately resourced administration
- Support the goals and objectives of the long-term management plan and the future of the overall watershed

Adam explained this presentation will focus on five specific guiding principles (bold in above list).

## 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)

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.

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## 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?

*FGWG comment: Right now the perception is that the status quo costs us nothing, which is not true, but does provide a challenge when thinking about parties committing to cost sharing.*

Adam acknowledged this challenge, but the goal of the preferred alternative is to identify an alternative that is efficient and socially optimal.

## Applying Theory to Practice

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

- Identify beneficiaries and types of value
- 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?

*FGWG question: Did the EWG also receive this presentation? If not, they will need this information.*

No, we did not go into this level of detail. It will be part of the joint meeting.

*FGWG question: In the context of sediment management, the state owns the dam and it is a growing liability. Under an estuary or hybrid, it becomes a dispersed problem. Can you walk through these fundamentals using sediment management, how does it play out?*

It is conditional on good sediment modeling and what we know about the alternatives. Depending on who benefits, there should be a financial mechanism that addresses that.

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*FGWG comment: There are some cleanup activities that need to occur in the Budd Bay, which complicates things.*

Jessi explained the EIS will be ahead of the Budd Inlet Ecology cleanup process. The TWG is providing a lot of information and as we continue to coordinate with the Port and Ecology we will be able to stay informed about those processes and understand where they are with alternatives. We may be able to have conversations about where there is a desire to put clean sediment and where there is not.

*FGWG comment: While the two processes are on slightly different timelines, from Ecology's point of view, they have signaled to LOTT that if there is no satisfactory outcome, LOTT will be asked to make up for that. If there is no equitable outcome, LOTT (and its customers) is exposed to an estimated \$80 million loss. The benefit to LOTT comes down to how much of that loss LOTT needs to contribute.*

Jessi explained the EIS will include qualitative statements regarding the alternatives' abilities to be consistent with Ecology's TMDLs. We are trying to incorporate that foundational building block and it is expected that the design and permitting of the preferred alternative will include quantitative assessments to address water quality. The goal of the EIS is to sufficiently capture all the potential costs; those costs will be included and potentially influence the outcome. Ultimately this work needs to identify a socially acceptable alternative.

## ***Introduction to Next Meeting and Preliminary Discussion of Funding Options***

Lorelei explained that ECONorthwest is getting up to speed on the process and group discussion that has already occurred. ECONorthwest will bring a full range of funding options to the next meeting so that we can begin moving through a narrowing and sorting process. We want to make sure that list is inclusive of the range the FGWG has already discussed without being redundant. Lorelei asked the participants to share and discuss any specific ideas already discussed.

*FGWG comment: One of the first elements this group discussed was a local improvement district (LID). It would need to be a graduated LID because property in downtown Olympia may benefit more than properties south of the airport.*

*FGWG question: Is there any legal support for this group?*

Enterprise Services is connecting with legal counsel on a regular basis, but each FGWG entity may have a different perspective. We do work with legal counsel as needed and it is understood this process will need legal support.

Lorelei and Adam suggested that during the early part of the process the group "have fun", exploring all possible options, and then work with legal counsel later in the process.

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*FGWG comment: Regarding a LID, there are requirements that any option has to apply uniformly to any type of property.*

*FGWG comment: One of the challenges with uniformity is how do you convey to beneficiaries over a larger scale what the benefit is? For example, how do I convey that message to City of Lacey residents who are wondering why they are involved at all? There must be a message that creates an understanding of how community level benefits accrue.*

*FGWG comment: There is a matrix of potential funding options (Phase 1 evaluation of tax districts) but the complexities of raising capital or operating funds made it challenging to discuss further.*

*FGWG comment: LID was discussed in the context of capital; governance is needed to address maintenance. We also discussed a sediment or watershed management district. Does that concept exist or would it be something entirely new?*

Floyd|Snider researched other similar frameworks. Chesapeake Bay is an example but there are some fundamental differences.

*FGWG comment: Columbia River Ports have a shared dredging plan.*

*FGWG question: Is there any other model with a unique situation and how did they come up with that solution?*

Jessi noted another step is determining when to transition to a shared governance model versus state funding. After the EIS the important next step is design and permitting of the preferred alternative. Is this critical third phase something that has shared costs, or will the state need to assist or lead funding of this phase?

*FGWG comment: Could we explore the potential of a public-private partnership? The private party is typically trying to generate profit, but they could be a new entity – like a non-profit created for this purpose.*

*FGWG question: Could WDNR give up ownership of the lake?*

There is split ownership now. WDNR owns 50 percent and Enterprise Services owns a significant portion. There is also some private ownership on the south end.

*FGWG comment: Look historically as if the dam were not built, what would have been in place and who would have been the responsible parties?*

*FGWG question: What is the state's responsibility considering they helped us get to this place?*

There is likely no one solution, we are thinking of this similar to “capital stack” (meaning many different sources of funding).

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*FGWG comment: It looks different depending on upfront investment versus maintenance. Funding options will also look different depending on what alternative is selected. In a lake scenario, the state may have more responsibility for ongoing maintenance.*

*FGWG comment: Regarding maintenance, think about the funding authority we may need to request from the legislature (for example sales tax, property tax levy).*

Lorelei asked the participants about their respective roles and the implications of an alternative with a funding and governance agreement. Are there things to consider that are non-financial?

FGWG comments:

- Economic vitality in downtown Olympia
- Recreation
- Flood protection for downtown Olympia
- Navigable channel to transport emergency supplies (in the event of an earthquake)
- Sea-level rise (Tessa noted the EIS will consider water elevations under the various alternatives using the work done by Olympia, Port of Olympia and LOTT)
- Fishing

Jessi said that recreation was a discussion item during the Community Sounding Board (CSB) meeting on June 5. Participants were asked specific questions around uses of the resource to solicit input that feeds into the EIS process. There will also be recreational use surveys in the summer and fall.

Jessi and Tessa Gardner-Brown summarized the feedback received.

- Restricting active use has negatively affected use of the area
- Use frequency has declined but it is still very important for passive recreation
- Participants resoundingly want to use the waterbody for recreation again; they would resume historic uses and want closer connections to ecological functions

*FGWG question: How many participate in the CSB?*

Enterprise Services received about 70 applications and selected 25 members based on their collective and individual interests in 13 different unique categories. The group is asked for feedback, but we do not ask for or expect consensus. If areas of agreement emerge that is valuable to hear.

*FGWG comment: How do you manage the New Zealand mudsnail (mudsnail) in the EIS process?*

The EIS will consider opportunities to eradicate or more likely control the mudsnail. Control options are similar initially but different as you move into maintenance. There is an important

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connection between mudsnail control and recreation – recreation and improving ecological function are both key goals. The EIS Project Team had preliminary discussions with Washington Department of Fish and Wildlife about their goals and what they know about potential control strategies. Invasive species is a key discipline for the EIS, evaluating benefits and impacts for each alternative. Mudsnails and purple loosestrife also have implications for dredge material disposal/management.

*FGWG question: Is the mudsnail expected to survive conditions that exist in an estuary scenario?*

In the past and in coordination with WDFW, Enterprise Services has backflushed bay water into the lake to understand impacts to snails. Saltwater did kill some mudsnails but they also built up some resistance. The EIS Project Team includes an invasive species expert who is working through this and evaluating options.

## ***EIS and Stakeholder Coordination Update***

Carrie Martin explained that there are multiple methodology memos being developed, three of which are undergoing 3<sup>rd</sup>-party review. Water quality has been reviewed and is being finalized based on 3<sup>rd</sup>-party, Ecology and Technical Work Group (TWG) feedback. Enterprise Services is finalizing the review process for hydrodynamics and sediment transport and economics. All three methodologies will be published on the project website when they are final.

Jessi explained a key element of the April work group meetings was describing the first step of the Measurable Evaluation Process. There are many alternatives and variations that have been proposed but with a fixed budget for analysis the EIS Project Team must identify the most efficient and cost-effective approach.

We are working to develop an optimized version of each of the alternatives by reviewing components of alternatives against four criteria (technical and regulatory feasibility, and environmental and economic sustainability). This allows for a transparent and defensible process that will result in three optimized alternatives (estuary, hybrid, lake) that best address the Phase 1 purpose and need project goals. Once we complete that process, we will bring it forward to share what the alternatives look like. Those alternatives will move into the EIS technical analysis.

The US Army Corps of Engineers participated in the TWG in April to discuss regulatory feasibility and provided great feedback. The EIS aims to be as forward compatible as possible with future permitting requirements.

*FGWG question: Have you learned anything new from the water quality work?*

Ecology has agreed to sample a Budd Inlet water quality station that would normally be sampled in 2020, which we greatly appreciate. The EIS Project Team is collecting monthly water quality samples in Capitol Lake (May-October). Ecology will sample the additional Budd Inlet station monthly (July-October). We worked with Ecology to get lake samples in May while their spill

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cleanup efforts are ongoing. A bathymetric survey is scheduled to occur during the first week in July, the soonest possible date given the spill response. We are also talking to Thurston County as they are dealing with a sewage leak at South Puget Sound Community College.

*FGWG question: Has there been any conversation about who would manage the implementation of the preferred alternative?*

The Phase 3 work and when the shared funding and governance model intersect is an ongoing question.

**Jessi will send materials and a Doodle poll for September.** This group will likely meet again in November, before the holidays, to bring forward optimized alternatives.

## ***Round Table Feedback***

As part of the discussion of the joint EWG and FGWG meeting in the fall, Lorelei asked if sending the meeting materials approximately two weeks in advance would be sufficient. The FGWG agreed that was ample time for review and internal coordination.

*FGWG comment: The EWG will benefit from a similar economics presentation that Adam gave.*

## ***Public Comment***

*Comment: It would be helpful to have materials online before the meeting. When will you post materials from today?*

We will draft and review a meeting summary and post the summary and materials to website within one month, but we can post the meeting slides earlier than that.

*Comment: On the different alternatives, will there be different ways to fund different alternatives? There may be federal funding for an estuary but not a lake. What happens with dam maintenance, there will come a point where the dam needs to be replaced but that may not be feasible. Consider using LOTT as the special district because it is already formed.*

## ***Adjourn***

Jessi adjourned the meeting at 10:58 am.