

City of Palouse

PO Box 248 • 120 E Main St
Palouse, WA 99161
509-878-1811 • Fax 509-878-1320
palousemayor@gmail.com

February 11, 2021

Mr. Jeff Nejedly
Water Quality Program Funding Assistance
Washington State Department of Ecology
P.O. Box 47600
Olympia, WA 98504-7600

Re: City of Palouse – Ecology FY 2022 Draft Funding List
ECY Offer for Value Engineering and Request for Reconsideration of Application

Dear Mr. Nejedly,

The purpose of this letter is to request ECY consideration of a proposed path forward regarding Palouse's wastewater improvements – the proposed path involves: (1) Palouse accepting ECY's offer to conduct value engineering of our wastewater project, (2) requesting an extension to the effluent temperature compliance deadline beyond 2024, and (3) requesting a reevaluation of Palouse's ECY funding request submitted October 2020.

We are aware our October 2020 ECY design funding application was not funded in the amount requested, but that ECY offered a lesser amount (\$100k) to conduct value engineering of the project. Our engineers (Varela) contacted Daniel Thompson – ECY and discussed possible options for Palouse. Attached is a memo Varela prepared (1/26/21) for Palouse that discusses options on how to proceed from here. The City Council discussed options at the January 26, 2021 City Council meeting; the council minutes are attached.

First off, Palouse is receptive to ECY's offer for the City to conduct a value engineering evaluation of the City's wastewater facility plan (WWFP) and its selected alternative, approved by ECY in November 2020. As we have been throughout the entire process, we remain open and eager to explore any and all possible cost saving alternatives that will benefit our community and residents.

As we pursue this route, our immediate concern is the City has an NPDES permit requirement to meet stringent effluent temperature limits by 2024. We request that ECY grant an extension of the compliance date to match the dissolved inorganic nitrogen limits (DIN). Extending the temperature will allow us time to complete the value engineering tasks and make adjustments to the WWFP as needed. ECY has indicated the DIN limit compliance will be required by 2030.

Secondly, regarding project cost and ECY's desire to assist Palouse in value engineering, we propose the following approach/steps:

1. ECY to release or authorize the \$100k funding to be available immediately, or as soon as ECY is able to, so as to be able to expedite the value engineering step. The City will proceed and work with ECY and the City's engineer to hire a qualified third-party consultant to conduct the value engineering. Regarding timeline, a six-month timeline would be reasonable and prudent: two-month window to procure consultant, two-month window to conduct the evaluation, one-month window for review of findings and one month extra, if needed.

2. We request that ECY reevaluate and rescore the City's funding application with the correct budget rather than the one (i.e. another community's budget) that was erroneously uploaded with the application. If the project scores high enough to qualify for funding, as we hope it will, project design could begin following the July 2021 availability of funding (same timeline as ECY's current draft offer list). This schedule would then be consistent with the one provided in the 2020 WWFP giving the City an opportunity to possibly meet, or at least come closer to meeting the 2024 effluent temperature limits imposed by ECY. Not granting the funding will add at least a full year to the project timeline.

It feels overly penalizing to us to be disqualified from reconsidering our application based on our digital error. We recognize that the wrong project budget was inadvertently uploaded with the application, however, the WWFP itself was also uploaded with the application, which does include the correct project budgets, annual projected O&M and user rate impacts.

We believe the application will score higher when considering these two factors: (1) the correct project budget (included with the WWFP), and (2) the knowledge that addressing high project cost and possible cost reductions (per ECY's concern) are pending via value engineering evaluation.

3. Grant extension of the effluent temperature compliance date to 2030 to match the date that effluent DIN needs to be in compliance. The solutions identified to reduce effluent DIN will reduce or eliminate effluent discharged to the river and will meet the less restrictive temperature limits. This schedule also allows time to explore an adaptive management approach to meet both temperature and expected DIN effluent standards if the value engineering study recommends reopening that discussion

We recognize ECY does not typically offer funding for a project value engineering study – we are grateful for this opportunity. We also understand that ECY does not routinely provide a reevaluation of a funding application except on rare occasions or where extenuating circumstances exist. We hope ECY sees this current situation as constituting extenuating circumstances. We respectfully ask ECY to reconsider reevaluating our funding application.

We look forward to hearing back from ECY and will reach out again the first week of March to continue this discussion.

Sincerely,



Chris Cook
Mayor
City of Palouse

cc: Daniel Thompson – ECY Water Quality Program Funding Assistance
Art Jenkins – ECY ERO Water Quality Supervisor
Diana Washington – ECY Permit manager
Cynthia Wall – ECY ERO Funding
Varela & Associates, Inc

MEMO

TO: Mayor Chris Cook and Palouse City Council
FROM: Varela and Associates, Inc.
DATE: January 26, 2021
RE: Palouse Wastewater Facility Planning
ECY Funding Application/Offer

Summary – ECY Funding Application Review

An application for design funding for the Palouse wastewater treatment project was submitted to ECY during their October 2020 funding cycle. The “2022 Draft Water Quality Funding Offer” list was published mid January 2021. The funding application scored low and was not funded primarily due to two factors:

- An incorrect project budget file was uploaded to the application site (EAGL) and ECY was not able to properly score parts of the funding application.
- An overall concern by ECY that the project cost is high and unaffordable to Palouse residents.

As a result, Palouse was not offered design funding this funding cycle. Palouse was however, offered \$100,000 of forgivable loan (same as grant) to have a third party value engineering review of the project for possible cost reduction avenues in an effort to make the project more affordable to the community.

An incorrect file was uploaded with the application back in October 2020. This was our error. Based on our telecom debriefing with ECY and review comments, that even with the correct budget, it may not (likely not) have been funded given ECY’s concern with the overall project cost. During the debriefing, Varela indicated the City has the same cost concern and is not anxious to aggressively pursue implementation but has continued with project planning to remain in compliance with their NPDES permit conditions.

Options For Moving Forward

During the telecom debriefing with Daniel Thompson of ECY two possible options for moving forward were discussed.

Option 1 – Request a re-evaluation of the funding application

- During the 30-day comment period that ends February 14, 2021 request that ECY re-evaluate/rescore Palouse’s funding application, with the correct budget information.

- Indicate to ECY that without having design funding this cycle, the ability for Palouse to meet its effluent temperature limits by 2024 is significantly decreased.
- If the request for re-evaluation is denied, or if reevaluation still scores too low, the City could move forward with 3rd party value engineering of the current project.
- If the request and re-evaluation succeeds and the requested \$1.8 million design loan funding is granted, then Palouse would be compelled to move into the design phase.

Option 2 – Move forward with the ECY value planning / engineering offer

- Prepare a memo that acknowledges that the City is interested in accepting ECY's alternate \$100k (forgivable loan) to conduct value engineering.
- Also, acknowledge to ECY that this approach is appealing to the City as it strongly favors exploring whether cost reduction or a less costly alternative exists.
- Acknowledge that if the design funding was available now, the ability for the City to meet the 2024 deadline to reduce effluent temperature is questionable. Denying the design funding in this cycle further exacerbates the ability for the City to meet the deadline.
- Request that the temperature deadline be extended to coincide with the nitrogen effluent limit deadline to provide time for value engineering and possible changes to the wastewater plan.

Discussion

ECY's proposal to fund a 3rd party project review is not typical and ECY does not have specific policy covering this approach. It is ECY's effort to try to help Palouse exhaust all avenues possible to identify lower cost alternatives and/or possible cost reductions. ECY has previously taken this approach with one other system in the state - Clallam County for the Sekiu and Clallam Bay wastewater systems.

We have had internal discussions regarding ECY's approach and think that the third party value engineering of the project could potentially benefit the City by:

- Providing a pause and a formal review, with ECY's support and involvement.
- A final effort to potentially find a less costly solution(s)
- Potentially allow further regulatory discussion on effluent temperature and the use of adaptive management to phase improvements to water quality.
- If value engineering efforts identify significant cost reductions, the resulting project will receive stronger funding support by funding agencies and/or by the Legislature.
- And, if value engineering does not result in significant cost reductions, the resulting project will also receive stronger funding support by funding agencies and/or the Legislature, with the knowledge that all avenues of cost reduction and cost effectiveness have been explored.

Palouse City Council
Regular Council Meeting via ZOOM teleconferencing
January 26, 2021

CALL TO ORDER: Mayor Cook called the Council Meeting to order at 7:01 PM.

ROLL CALL: Council members present: Mary Welcome; Bill Slinkard; Tim Sievers; John Snyder; Jim Fielder; Katie Cooper. Staff present: Police Chief Jerry Neumann; Public Works Supt. Mike Wolf; City Administrator Kyle Dixon; & Deputy Clerk Ann Thompson.

APPROVAL OF MINUTES:

The Mayor's report is amended to include dates and a couple minor wording changes. No material changes. It will read as follows:

"It came as a surprise to Mayor and Council last week to learn that Pullman Regional Hospital (PRH) is looking to expand their taxing district to include Palouse, which may increase taxes in Palouse substantially via subsequent levies. Pullman citizens voted down the PRH tax levy bonds in 2019 and are seeking a larger tax base (Albion all the way to Palouse, including county), to help carry their tax burden. On January 5th and 6th Mayor Cook communicated with PRH CEO Scott Adams to better understand the process, mindset, and ultimately get some questions answered as well as express our concerns. That very day (1/6/21) the PRH board was already voting on continuing down this path. Mayor Cook expressed that Palouse hasn't had a voice despite what was perceived to be a transparent relationship. There are a number of issues with this, including the fact that Palouse's population also uses Gritman, Whitman, & Lewiston hospitals. Palouse has some major infrastructure issues coming and our own street and pool levies are vital for ongoing O&M costs; if PRH goes through with this, it may force Palouse residents to choose between city levies and the hospital levy. We need to make sure PRH is aware of Palouse's stance on this and Palouse voters need to be made aware of this. PRH needs to know this is not good for Palouse and PRH needs to hear our position prior to them moving forward. Councilmember Sievers **MOVED** to send a formal letter from Palouse City Council to PRH CEO Adams and the PRH Board of Commissioners, outlining our concerns as well as requesting they open the public comment period early to give Palouse an opportunity to voice our concerns on the matter. Councilmember Cooper seconded. Motion carried."

Councilmember Slinkard **MOVED** to adopt the minutes as amended. Councilmember Welcome seconded. Motion carried.

PUBLIC WORKS REPORT: Supt. Wolf submitted a written report.

-Supt. Wolf met with Whitney Equipment to look at updating the well telemetry and sewer plant. The new telemetry would include an emergency alert system directly linked with PW cell phones in the event of a breakdown at the wells or sewer plant. The estimate for this upgrade on the water side alone is approximately \$20,000.

-City is without our street sander right now because the gear box went out. Supt. Wolf is going to have it repaired.

POLICE REPORT: Chief Neumann submitted the police log.

CITY ADMINISTRATOR REPORT:

-2020 taxes have been completed and submitted electronically.

-The city is accepting bids on the surplus 1995 Ford pickup until this Thursday, January 28th, at 2 pm.

-City is accepting letters of interest for vacant council position #6 until Tuesday, February 23rd, at 5 pm or until filled.

-City is accepting letters of interest for Board of Adjustment vacancy.

-Whitman County did an inspection on the Sumner foot bridge (walking bridge over the river that connects the south hill residential area to downtown). Additionally, a structural engineer from Spokane is coming down for a structural inspection. When/if it passes the structural inspection, Public Works will address the superficial repairs identified by the county.

OLD BUSINESS:

Update from Varela & Associates on the funding application for wastewater upgrades:

ECY did not fund our application to proceed to design phase of improvements.

Varela submitted a written update in regards to the ECY funding application & offer. The funding list was published in mid-January and Palouse scored low and was not funded primarily due to two factors:

- In October, when submitting Palouse's application for funding for our wastewater treatment project, Varela uploaded the wrong city's project budget file with Palouse's application. Therefore, ECY was not able to properly score parts of the funding application.

- An overall concern by ECY that the project cost is high and unaffordable to Palouse residents.

As a result, Palouse was not offered design funding this funding cycle. Palouse was instead offered \$100,000 of forgivable loan, which is the same as a grant, to have a third-party value engineering review of the project (instead of Palouse's request for \$1.8 million for design funding). Much discussion ensued.

Options moving forward are:

Option 1 – Request a re-evaluation of the funding application

- During the 30-day comment period that ends February 14, 2021 request that ECY re-evaluate/ rescure Palouse's funding application, with the correct budget information.
- Indicate to ECY that without having design funding this cycle, the ability for Palouse to meet its effluent temperature limits by 2024 is significantly decreased.
- If the request for re-evaluation is denied, or if reevaluation still scores too low, the City could move forward with 3rd party value engineering of the current project.
- If the request for re-evaluation succeeds and the requested \$1.8 million design loan funding is granted, then Palouse would be compelled to move into the design phase.

Option 2 – Move forward with the ECY value planning / engineering offer

- Prepare a memo that acknowledges that the City is interested in accepting ECY's alternate \$100k (forgivable loan) to conduct value engineering.
- Also, acknowledge to ECY that this approach is appealing to the City as it strongly favors exploring whether cost reduction or a less costly alternative exists.
- Acknowledge that if the design funding was available now, the ability for the City to meet the 2024 deadline to reduce effluent temperature is questionable. Denying the design funding in this cycle further exacerbates the ability for the City to meet the deadline.
- Request that the temperature deadline be extended to coincide with the nitrogen effluent limit deadline to provide time for value engineering and possible changes to the wastewater plan.

Varela has had internal discussions regarding ECY's approach and think that the third-party value engineering of the project could potentially benefit the City by:

- Providing a pause and a formal review, with ECY's support and involvement.
- A final effort to potentially find a less costly solution(s)
- Potentially allow further regulatory discussion on effluent temperature and the use of adaptive management to phase improvements to water quality.
- If value engineering efforts identify significant cost reductions, the resulting project will receive stronger funding support by funding agencies and/or by the Legislature.
- And, if value engineering does not result in significant cost reductions, the resulting project will also receive stronger funding support by funding agencies and/or the Legislature, with the knowledge that all avenues of cost reduction and cost effectiveness have been explored.

Discussion on the history and timeline of the project ensued. We feel like we have done everything that has been asked of us from ECY and we keep running into obstacles. Communication within ECY seems to be lacking as the Eastern Region approved the facility plan back in October of 2020 but the funding arm of ECY is telling us this project is not viable due to high cost of improvements. We absolutely agree that the cost of this project is too high and that these improvements would represent a major waste of public funds. This is not the first time we have received conflicting information from ECY on this project. The timeline for meeting the temperature TMDL by the Summer of 2024 is already quite aggressive, this setback has the potential to eliminate it as a possibility. A discussion with ECY and Varela regarding moving the temperature TMDL compliance requirements to the summer of 2030 (to coincide with the timing of our Dissolved Inorganic Nitrate TMDL) is encouraged. Palouse and Varela should provide the updated budget during the comment period to show that we have corrected this error, but we like the idea of having a 3rd party engineering company review the work done to date and see if any other less expensive alternatives exist. This will be discussed further at our next council meeting on February 9th with Varela.

COMMITTEE REPORTS/REQUESTS:

Joint Fire Board, Chair Fielder-

- Councilmember Fielder will be the chair of the JFB for 2021.
- There were 0 fire calls in December, and 54 for year. There were 32 training sessions.
- There were 7 EMS calls in December. 126 for year.

-Most of Fire/EMS personnel have had both rounds of COVID vaccine.

MAYOR'S REPORT:

Mayor Cook sent a detailed letter on behalf of Palouse City Council to president of PRH Board and the CEO of PRH addressing Palouse's concerns regarding the potential expansion of taxing district boundaries, outlining the city's position, summarizing our concerns, and requesting early community feedback options.

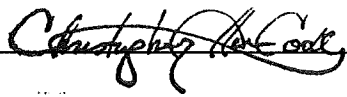
Mayor Cook, CA Dixon, and Supt. Wolf met with the Garfield Mayor and PW Supt to discuss the potential of sharing Palouse's newly-created 4th public works position. Garfield wasn't sure on their need so for now the plan is to share for six months and then evaluate both city's needs moving forward. Whatever hours are worked in Garfield will be paid by Garfield.

ALLOW PAYMENT OF BILLS: Councilmember Welcome **MOVED** that the bills against the city be allowed. Councilmember Fielder seconded. The motion carried.

The following checks are approved for payment:

Claims Paid 01/26/2021 Ck. #11398-11415 & EFT \$14,881.78

ADJOURN: Councilmember Cooper **MOVED** to adjourn. Councilmember Slinkard seconded the motion and the motion carried. The council meeting adjourned at 7:37 PM.

APPROVED:  _____

ATTEST:  _____