

Adopted Ellensburg 2024 Legislative Priorities

City Council Meeting 11/6/2023

The City of Ellensburg supports legislation that furthers the goals of the Council’s Strategic Vision and protects the City’s ability to provide basic municipal services to residents. Prior to the start of a legislative session, the City Council adopts Legislative Priorities. These priorities are developed by City staff and Councilmembers.

CLIMATE COMMITMENT ACT (CCA) COMPLIANCE AND POLICY CHANGES

POLICY CHANGE RECOMMENDATIONS

Amend RCW 42.30.110 Open Public Meetings Act to authorize Executive Sessions for carbon allowance auction strategy and sales/purchases transparency

Increase no-cost allowances (cap) and decrease pace of reduction for municipal natural gas utilities

Reduce requirements for burdensome cash bid guarantees for small utility participation and evaluate auction system fiscal controls

Clarify requirement for non-volumetric credits

Develop low-income definition equitable to all customers

Provide state programs and incentives to assist small municipal natural gas customers to switch to low and carbon-free energy equipment

Guarantee CCA program funding returns to municipal utilities in amounts commensurate to those invested in the carbon markets and ensure auction proceeds are prioritized for those actions that benefit fuel transition costs for emissions reductions

Allocate funding to support municipal utility compliance, planning, and reporting

State leadership in energy resource supply adequacy for clean energy economy—fund study to evaluate resource adequacy, use of natural gas as redundant energy system, and future potential use of natural gas distribution system assets

Ellensburg is one of two municipal natural gas utilities in Washington State and one of 22 municipal electric utilities (Ellensburg is the only municipal natural gas & electric utility in Washington State). Ellensburg has a long-term commitment to energy conservation and reduced demand. Two comprehensive State mandates, the Climate Commitment Act (CCA) and Clean Energy Transformation Act (CETA), seek collectively to reduce emissions, decarbonize the building sector, invest in clean transportation, and build a clean energy future, with mitigated impacts to vulnerable populations. Both require significant electric and natural gas utility planning, implementation, and reporting. Ellensburg is not in a position to build new electrical generation facilities to meet local demand. Impacts of these policies to small municipal utilities are substantial and require significant specialized skills to implement and meet carbon reduction and equity goals.

CCA Compliance Challenges

Two small municipal natural gas utilities are disproportionately impacted by costs of CCA compliance. Ellensburg has approximately 5,000 natural gas connections, including residential, commercial, and industrial customers. Participation in CCA auctions for 2023 required \$1.25 million in utility cash for first year commitments—14% of our total \$9 million revenue. The utility has seven field crew members with 2.5 administrative staff to operate the distribution system. Additionally, there are two employees to purchase energy, assist with rate setting, monitor state and federal GHG and energy reporting, CETA and CCA compliance, energy conservation, and administer various programs for both natural gas and electric services. Statewide, there are large private for-profit natural gas companies that have natural gas customer connections ranging from 300,000 to over 800,000 for each of these various utilities, some with customers in other northwest states and some entirely in Washington State.

Ellensburg municipal electric utility is a CCA covered entity. Because the City purchases approximately 95% clean energy, first-year fiscal impacts of the CCA are less severe than those of the City's natural gas utility. But over time, the CCA could have potentially significant impacts because of uncertainty in the Bonneville Power Administration's (BPA's) power purchase decisions (which are outside the scope of control of the City).

Compliance with the CCA requires significant staff and financial resources which burden small municipal utilities like Ellensburg (and Enumclaw) disproportionately. A reasonable remedy for these two small Washington cities is to increase no-cost carbon allowances for municipal natural gas utilities and reduce the rate of an emissions "cap" for these two utilities.

Fuel switching programs create administrative burden for small municipal utilities. In a recent CCA compliance study commissioned by the City of Ellensburg, Lighthouse Energy Consulting found, "...assuming that the City successfully encouraged 100% of the equipment turning over in a given year to convert to electricity and assuming that all new construction and major renovations resulted in no demand for gas [would] not [be] sufficient to catch up with CCA's annual reduction of 7% per year. The City would need to encourage all new and end of life equipment to be electric and encourage fuel switching beyond this equipment turnover to comply with the CCA's timeline in the near term."

Developing and operating programs to promote fuel switching for residential, commercial, and industrial users requires significant administrative resources for a small utility. A single residential heating unit replacement can easily cost \$15,000. Providing sufficient incentives and rebates to assist with this cost burden for residents will be critical to achieve state goals. State-designed and administered programs that prioritize fuel switching in commensurate rates to municipal investments in the cap-and-invest system should be secured for municipal natural gas utilities.

Auction participation violates standard public sector financial controls: To participate in Ecology's allowance auctions, large sums of money are wired to and held for several weeks by external international banking entities for cash bid guarantees.

Lack of transparency for local policy makers: Municipal utility oversight is the responsibility of the City Council, not the State's Utilities and Transportation Commission. Washington Administrative Code (WAC) 173-446-317 prohibits public disclosure of intent to participate in auctions, strategy, price, quantity, bid guarantee, and auction approval status. The Open Public Meetings Act (RCW 42.30.110) does not

provide for an executive session option to discuss and inform City Councils of activities related to participation in Ecology's carbon allowance auctions. Thus, our City Council – which establishes the City's budget – cannot be informed of the details requiring significant budget impacts, which is contrary to transparent governance principles.

Low-income definition: There is no low-income definition in the CCA. If the definition in CETA is applied to CCA, approximately 40% of Ellensburg's customers would be considered exempt. This would prohibit Ellensburg's non-profit utility from collecting the revenue necessary to cover costs of CCA auction participation through a GHG emissions cap-and-invest premium rate or require the utility to nearly double the rate on the other 60% of customers.

State must play a role in resource adequacy: City utilities need low-carbon alternatives and support from the State to create realistic pathways to meet the milestones in these policies. As utilities transition away from carbonized energy sources, there is a need for sufficient carbon-free sources as replacement to avoid high-cost energy and blackouts. Ellensburg purchases around 210,000 MWh's per year from BPA; roughly 2,000 MWh's are produced locally from City owned and distributed solar. If natural gas sales are halved by 2030, the City will need an estimated additional 20 MW of electricity or 117,000 MWh's with the majority of the additional load demand occurring in the critical winter heating season. Green hydrogen is not yet available. There is an urgent need for new winter-season electrical generation to implement the State's decarbonization goals.

With the push to electrify vehicle fleets and convert home/building heating to all electric, the State must work closely with electric generation, transmission, and distribution systems to address the resulting effect of increased demand. The State should provide guidance on natural gas as a redundant/firm/reliable energy source for other renewable sources.

Policies should be monitored for effectiveness and impacts to ratepayers during these difficult financial times and high inflation.

ELLENSBURG COMMUNITY FIELDHOUSE FUNDING - \$2 MILLION

Allocate \$2 million to Phase I construction

One of our area's only public community fitness and education resources was destroyed by fire (arson) on Dec. 2, 2022. This loss leaves our distressed, rural community with an immediate barrier to public wellness facilities. In Kittitas County, where heart disease is the number one cause of mortality, the loss of space for year-round health and wellness activities has created an urgent public health challenge for Ellensburg and Kittitas County. Because indoor recreation facilities are especially critical for youth and under-served members of our community, the urgency of replacing the facility has become a priority. Estimated cost to rebuild a facility on city-owned property is \$25 million. Approximately \$2 million of insurance replacement funding is at risk of being forfeited if the facility is not under construction by December 2024.

- Design and permitting (all phases): \$2.6 million (secured)
 - Design, environmental and permitting: 30% with alternate public build process (currently underway - \$1.1 million)

- Full design, all phases (begins 2024-\$1.5 million)
- Site Preparation/Access Road/Utilities (begins late 2024): \$2.6 million (secured)
- **Phase I Construction** (begins 11/2024; completion 2025): **\$10 million** (partially secured)
- Future Phases of Construction (pending funding) ~\$10 million

The new facility provides rare indoor recreation space in a region where temperatures drop below zero in the winter and can rise well above 100 degrees from May through September. There is no alternative public space, which is especially problematic for rural and under-represented communities who cannot afford private club memberships (of which there are very few) or the travel costs to another community.

When complete, the \$25 million Ellensburg Community Fieldhouse will develop over 100,000 sq ft of indoor recreation space on city-owned property at Rotary Park, on the southwest edge of the City limits. Rotary Park features soccer and baseball fields and is adjacent to Irene Rinehart Riverfront Park and the Ellensburg Community Renewable Solar Park.

The project has been designed to have maximum impact on public health, as well as education, social services, economic development/tourism, infrastructure, energy efficiency, shelter for air quality emergencies, staging for emergency responders, and recreation in the greater Ellensburg area. The City will be responsible for ongoing operations and maintenance costs.

HOMELESSNESS AND AFFORDABLE HOUSING POLICY

Flexible policies to expand housing, preserve affordability, and address homelessness

Nearly half (48%) of Ellensburg households are cost burdened (paying more than 30% of their income for housing); over one quarter (28%) are severely cost burdened (paying more than 50% of their income on housing). Ellensburg has taken action to address housing affordability over the past few years. Voters passed the 0.1 percent local sales and use tax (RCW 82.14.530) in 2017, with funds allocated to projects that create new affordable housing. The City also provided three parcels for affordable housing and partnered with Habitat for Humanity and private developers for projects.

Ellensburg has been working with Kittitas County and community providers to identify gaps in services to address local challenges for people experiencing homelessness.

- Ellensburg has no year-round emergency shelter that serves the community’s most vulnerable by providing access to services and the ability to enforce public camping laws to manage health and safety. The City and County are working with providers collectively to locate and build an overnight sleep center “emergency shelter” to provide low-barrier shelter and service connections with a “housing first” model.
- Allow local communities to determine their own needs and financing to support those needs. Homelessness issues that plague larger metropolitan areas requiring resource-intensive solutions do not translate well for use in rural communities.
- Actively defend against preemption of local land use authority through zoning mandates, but support policies that provide flexibility to respond to local housing needs.
- Provide tools to preserve existing affordable housing units.

- Continue to support organizations dealing with homelessness that have shown success impacting the problem.

WASTEWATER TREATMENT PLANT INFRASTRUCTURE UPGRADE

Infrastructure investment is important to Ellensburg’s economic vitality. The City’s current Wastewater Treatment Plant is nearly 50 years old and needs technology and infrastructure improvements. Design should be complete in 2024 for a General Sewer System Plan and Aeration Upgrade design for the necessary improvements. This project will provide a significant reduction in electrical energy demand as a result of technological advances. And through industrial symbiosis enhancement, methane gas from the wastewater treatment process, which is currently burned as waste, will be recaptured for use as renewable natural gas.

The total project cost is estimated to be \$21 million. The City adopted policies to phase utility rate increases over the next few years and raised plant investment fees (for new ratepayers by over 200 percent in 2023) to maximize local funding for the project. The City will seek the maximum project funding from federal Bipartisan Infrastructure Law programs administered by the State, but additional funding will be required to make this essential plant investment.

FUNDING FOR BEHAVIORAL HEALTH RESOURCES

Continue to expand behavioral health resources for rural communities

Ellensburg and Kittitas County lack a crisis stabilization facility and sufficient behavioral health resources to serve the need. Kittitas Valley Health Network works closely with local partners (emergency responders, hospital, nonprofits) to maximize service connections from hospital, emergency care, behavioral health, outpatient substance use disorders treatment, housing, etc. A Behavioral Health Court (grant funded for two years) was implemented in 2022 to offer a diversion program for individuals willing to participate in substance use disorder and/or mental health evaluation and treatment programs. A Navigator program facilitates community outreach, case management, and referrals for people struggling with substance use disorder and/or mental health issues. The County now has 0.1% sales and use tax for behavioral health. Additional needs include:

- Create greater access to community-based behavioral health services.
- Support for continued state funding to help communities establish alternative response programs for individuals suffering from behavioral health issues.
- Establish permanent funding for court-supervised diversion programs beyond two years.

BLAKE DECISION AND TRANSFER OF COSTS TO CITIES

Provide Blake Decision and remedy unfunded mandates

The City supports AWC’s position to respond to the Blake Decision and State responsibility for costs recently transferred to municipalities for felony medical care and public defense costs which result in financial burden.

- Support additional investments to help cities with the costs stemming from the transfer of misdemeanor crimes to local communities. This includes:

- Funding to mitigate municipal court impacts and offset the costs of vacating criminal convictions, repaying legal financial obligations, and administering diversion programs.
- Investment in alternative response teams; treatment facilities for adults and juveniles; treatment in jails; and social workers, treatment providers, and system navigators to help direct people to treatment.
- Unfunded mandates should be addressed at the State level:
 - **Medical Costs for Felony Inmates** - Cities pay for inmate medical costs — including healthcare and medications—when police arrest and book an individual into jail. The State Department of Corrections no longer pays fees associated with pre-conviction incarceration for felony level suspects. Apple Health (the State’s medical provider) will not cover medical costs during jail confinement. Inmate medical costs cause a financial risk and burden to the City.
 - **Public Defense Office** – In 2021, the Washington Supreme Court adopted requirements for indigent defense counsel which significantly modified existing rules to create greater independence from local governments and judges who have traditionally overseen these contracts while also reducing caseloads counts for indigent defense counsel. As result, many counties and cities have been required to significantly increase their indigent defense budgets for the creation of independent offices of indigent defense or other methods of meeting the state standards. Although there is some grant funding available, there is no long-term stable state funding for these new impacts.

**Ellensburg also supports Association of Washington Cities (AWC) 2024 Legislative Priorities