



DEER CREEK  
WATER ASSOCIATION

# NOTICE OF POTENTIAL WATER SYSTEM CONSOLIDATION

## 2023

*DCWA receives a grant to explore consolidation of the two water systems.*

## 2024

*Wilson Engineering conducts the Water System Consolidation Study.*

## 2025

*January: DCWA holds a public meeting to present the engineering study results.*

*DCWA applies for an interest-free loan to cover the anticipated engineering design costs of additional water mains.*

*July/August: DCWA determines whether or not to proceed with planning and engineering.*

## 2026

*DCWA may apply for a second DOH loan to cover the cost of construction for the water mains.*

## 2027

*February: DCWA and KRWA will jointly determine whether or not to proceed with construction.*

*September: construction will begin, if approved.*

## Deer Creek is considering a consolidation of the Kelly Road Water Association (KRWA)—a small water provider serving 18 members within our service area

### Background

Since their incorporation in 1954, the Kelly Road Water Association (KRWA) has had multiple and ongoing difficulties providing a consistent supply of water to their 18 members. Their options to address this issue are either consolidating with another water provider, or making significant investments to their system.

For years, DCWA has wanted to extend a water main along Kelly Road in order to reach new customers, and to provide redundant / looped service for our East Smith Road water main. KRWA's challenges and our long-term infrastructure goals have presented a unique opportunity for us to consider a consolidation.

In order to determine the feasibility of a consolidation, DCWA applied for and was awarded a grant from the Washington State Department of Health (DOH) in 2023 to conduct a study.

Wilson Engineering's Water System Consolidation study was completed in 2024, and its results were shared with both DCWA and KRWA members during a public meeting in January 2025.

During 2025, Deer Creek also applied for a zero interest, ten year Planning and Engineering Loan from the DOH which, if awarded, could pay for the engineering design costs necessary to connect the two systems, should a consolidation be

forthcoming. The DOH's decision about this loan will be announced in a few months.

### Overview of the Consolidation Study

Wilson Engineering analyzed the following information:

- Existing assets and infrastructure of the two water systems;
- Impacts of additional water demands;
- Associated consolidation costs, membership fees and cost distribution;
- Project financing options;
- Payment options available to KRWA customers;
- Comparative costs if KRWA were to remain an independent system;
- Nearby property owner interest in connecting to public water (which could offset some project costs).

Wilson Engineering determined that the combined capacity of DCWA's existing wells, treatment capacity, storage capacity, and booster pump capability are adequate to accommodate the 18 members of KRWA.

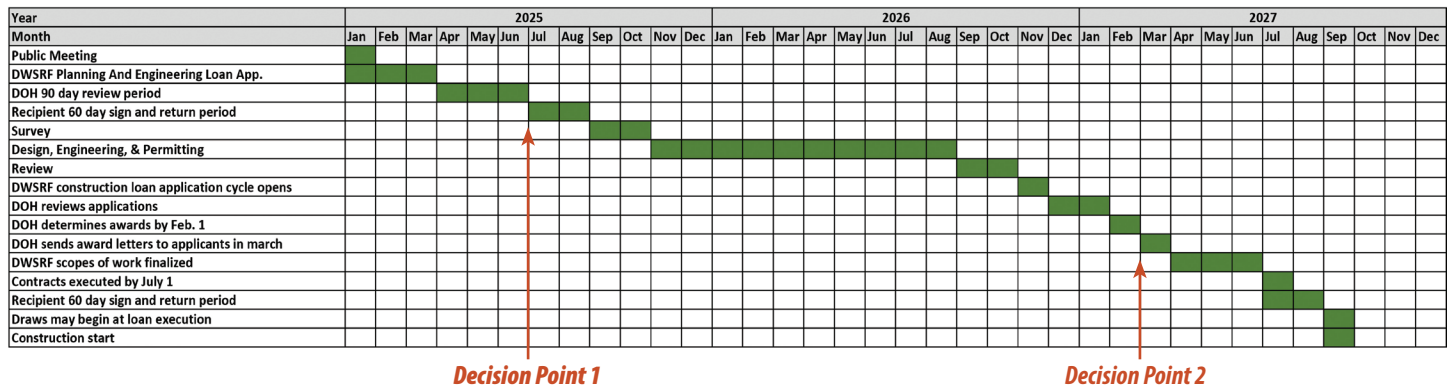
The infrastructure needed to connect the two systems would be roughly two miles of water mains. Using demand modeling, Wilson Engineering explored three alternatives and identified two connection points that would provide adequate fire flow to KRWA.

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## Potential Consolidation Task Schedule



## Potential Cost and Financing Strategy

Wilson Engineering has estimated the cost of design, survey and permitting to be approximately \$366,000, and estimated the cost of construction at \$3,500,000 (including \$178,915 for construction administration).

The Washington State Department of Health (DOH) also offers low interest loans for construction (currently at 2.25% for 20 years) with a loan application cycle beginning in November of each year.

Loans are awarded based on a ranking of various criteria, from water systems seeking consolidation, water systems with public health issues, and projects that would improve water quality, to projects with engineering design documents already prepared.

Because our engineering design documents will not be ready this November, we'll apply for the construction loan in 2026, when our documents are completed, for a higher loan approval ranking.

One of the reasons to apply for a state construction loan is the "forgiveness component." Up to 50% of the construction loan awarded by the DOH may be forgiven, based on past loan applications. The approximate amount of this loan, prior to forgiveness, would be \$3,500,000. Forgiveness of any portion of the loan would lower the amount we need to borrow.

Another reason to apply for this loan is the potential to roll payments from the Planning and Engineering Loan into the Construction Loan for potential forgiveness. We would carry the loan costs ourselves until we know if we receive construction funding, and how much 'forgiveness' we may receive—some time in early 2027. If we are awarded a DOH Construction Loan but choose to decline it, we would owe the entire balance of the Planning and Engineering Loan principal.

## Potential Rate Increases

### Decision Point 1: Planning and Engineering Loan

Should DCWA choose to proceed with the Planning and Engineering of the proposed consolidation, and accept the loan, it would likely require a \$4.00 per month rate increase for ten years, beginning in July—August 2025.

### Decision Point 2: Construction Loan

Should DCWA choose to proceed with the construction loan, it would likely require between an \$11.00 per month and \$22.00 per month rate increase for 20 years—depending on the level of loan forgiveness we may receive. The possible rate increase would commence in April—May 2027.

## Next Steps

July—August 2025: DCWA, independent of KRWA, will determine whether to proceed with the zero interest Planning and Engineering Loan.

On or about February 1, 2027: DCWA in conjunction with KRWA will determine whether to proceed with the low interest Construction Loan—depending on several factors, including the degree of loan forgiveness offered, an approval by both DCWA and KRWA boards of directors, and whether we can roll over some or all of the Planning and Engineering Loan into the Construction Loan, among other considerations.

**The DCWA Board of Directors would like to hear from you and get your input. You can reach them at:**

**Website form:** [www.deercreekwater.org/contact-us](http://www.deercreekwater.org/contact-us)

**Or by Email:** [dcwa@deercreekwater.org](mailto:dcwa@deercreekwater.org)