MAY'S MEETING MINUTES

Members, Alternatives & Guests Present:

Arden Blackledge
Larry Blanchard
Walt Canter
Dave Christensen
Geoff Clayton
Don Davidson
Roger Eberhart
Lys Hornsby
Doug Jacobson
Larry Jones
Andrew Lee
Erin Leonhart
Arne Lind
Ron Little
Pam Martin
Steve Moye
Tom Peadon
Bill Peloza
Randy Reece
Greg Reed
Ron Sheadel
Lorraine Snyder
Ron Speer
Sally Starbuck
Steve Stevlingson
Gary Sund
Laura Szentes
Bill Tracy
Art Wadekamper
Margaret Wiggins
Fanny Yee

King County Staff:

Tim Aratani
Dennis Barnes
Bob Hirsch
Tom Lienesch
Christie True
Laura Wharton

Chair's Report – Dave Christensen

Introductions were made and April's minutes were approved.

WTD Director's Report – Christie True

Christie announced that the King County Council was scheduled to hear the bond ordinance on May 7th. Lots of testimony on the bond ordinance was given at the committee level. The WTD performance survey has been extended to May 31st. The survey will be updated and if you have any comments or revision suggestions please send them to her or Valerie Garza. Last year, the Regional Water Quality Committee (RWQC) issued a policy directive during the Regional Water Services Plan update for WTD to do a review of the Culver Report and look for alternative funding sources for water quality programs that Culver currently funds. The deadline for the report to RWQC is June 1st. WTD is currently looking at alternative funding sources, for example: the County General Fund, a voted tax levy or an endowment. To date, they have found that these different sources are not a viable alternative. The Executive understands that the Culver Fund elicits strong opinions from those who are opposed to the funding to others in support. He is looking for a compromise and likely will make the recommendation that the Culver Report continue to be funded by sewer funds but that a cap would set. Currently, it's 1 ½% of the operating budget and they are concerns given that the operating budget will increase with the construction of Brightwater. If you would like to review or discuss the report, please let Christie know. WTD recently completed an extensive review of the Productivity Initiative Program focused primarily on the operations and maintenance portions of wastewater with new targets being set over the next five years. One primary objective from the review is that WTD find a way to bring the Carnation Treatment Plant and Brightwater online and running with the same number of FTEs that they had in 2000. The new business plan has developed a way to essentially do that. 26 FTEs will be needed to operated and maintain the treatment plants. Christie feels that they have found a way to do that, it won't be easy but they have mapped out a good approach to get there. The significance of that is the significant mitigating impact on the operating cost and rate by being able to keep labor at a steady state. More details will be announced later. Lastly, Christie thanked Karla Fowler of LOTT for coming here today to give a presentation on reclaimed water.

2008 Executive's Sewer Rate and Capacity Charge Proposal – Tim Aratani

The 2008 Sewer Rate proposal is $27.95 per RCE per month and this maintains the 2007 sewer rate. The capacity charge is $46.25 an increase from current rate of $42.00 but less than the 2007 project rate of $50.00. This will created a rate stabilization reserve balance of $5.1M for 2009 rate reduction. Key factors affecting the 2008 sewer rate are: 40-year bond terms replace declining bond terms, November 2006 bond refunding of $143M yields $900K annual debt service savings, continuing low interest rates projected for 2007 and 2008, ranging between 4.5% - 5.0%, 2006-2008 capital expenditures increased $94M compared to 2007 forecast. The sewer rate and capacity charge is projected to be lower with the Executive's proposed bond terms. RCEs in the current proposal are less than last year's forecast for each year. WTD is projecting a rebound for the commercial RCEs base, so they will continue with their ½ of 1% growth assumption from 2007 – 2010. They are proposing to use $5.1M rate stabilization balance for 2009. This is the primary reason that they are able to lower their rate forecast to $32.95. The increase in new connections and capacity charge rate account for increased capacity charge revenue from 2007 –

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2010. A breakdown of the $27.95 sewer rate is: $16-Debt Service Payments, $8.19-Operating Expense, $2.59 Direct Capital Payments, $.97-Overhead, $.14-Culver III, $.07-Reserve Requirements. The accomplishment rates are: Brightwater program 101%, Asset Management program 78% and Major CIP program 89%. The proposed accomplish rate for Brightwater is 90% from 2008-2011. The breakdown for 2008 Planned Capital Spending is: 69%-Brightwater Treatment Plant, 10%-Conveyance Pipelines and Storage, 9%-Conveyance Pump Station, 4%-Treatment Facilities, 3%-Central Functions and Other, 2%-Minor Asset Management, 2%-Combined Sewer Overflow, 1%-Reclaimed Water Program.

Relationship between Sewer Rates and Bond Terms

Scenario description	Monthly sewer rates			
	2007-2008	2009	2010	2011
Executive's Proposal	$27.95	$32.95	$35.75	$37.60
Bond Terms (years)	40	40	40	40
Bond terms decrease through 2011	$27.95	$34.00	$37.05	$39.10
Bond Terms (years)	29, 28	27	26	25
Difference	$0.00	$1.05	$1.30	$1.50

Relationship between Capacity Charge and Bond Terms

Scenario description	Monthly capacity charge			
	2008	2009	2010	2011
Executive's Proposal	$46.25	$47.64	$49.07	$50.54
Bond Terms (years)	40	40	40	40
Bond terms decrease through 2011	$49.75	$53.92	$56.33	$58.79
Bond Terms (years)	28	27	26	25
Difference	$3.50	$6.28	$7.26	$8.25

Member Question: How much of the rate is built-in for water reuse? Last time I heard it was .30 cents. **Answer:** 1% of capital spending is for the reclaimed water program.

Member Question: On page 11 of the handout, you went over the differences in increases in CIP are those due to cost increases in current projects or were new projects added?
Answer: It's a combination of cost increases in some projects, new projects added and there's also a change in the timing of some of our cash flow in major projects.

Member Question: When will the Brightwater project be completed? **Answer:** All of the cash will be spent through 2011.

Member Question: The capacity charge is still 15 years? **Answer:** Yes it is.

Member Question: If the whole thing was done, all of the capacity and if everyone paid upfront what impact would it have on the capacity charge? **Answer:** If everybody did that it would drop 15-20% and the monthly equivalent would represent $25.

Member Question: On Page 7 holding the sewer rate to $27.95 in 2007-2008 is that because of surplus money?
Answer: The original intent with the 2007 rate was adopted last June was for it to be 5-year rate. But based on actual performance in 2006 you can see that we are able to roll $5.1M in rate stabilization from 2008 to 2009. That allows for a lower 2009 rate at this point.

Member Question: Is that because of efficiencies'? **Answer:** It is a result of several factors. The Productivity Program on the operating side has resulted in operating efficiencies and on WTD has been the beneficiary of positive interest rates on our bond issuances. On the negative side, spending has increased for the Capital program and RCEs are lower than projected.

Member Question: It would seem to me that KC should beat their chest a little bit for that first one and I think it would be a good idea if those factors were shown of how that surplus was created. **Answer:** We can certainly do that.

CONTACT INFORMATION:
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Member Question: I wanted to find out if you are showing a $5M improvement in your bottom line, is this rate is based on whether or not that projection actually shows up. So, nothing is promised here.

Answer: Correct, one thing that is promised is that our rate is proposed to be $27.95.

Member Question: I sit on the finance committee and we have not met on this topic of rates. I want that clear to everyone here. I'm still looking for a better approach for Finance committee rather than waiting till we approach to the Council. **Answer:** Thank you. This issue has been voices to us.

	2007	2008	2009	2010
Adopted 2007 Sewer Rate Financial Forecast				
Sewer Rate	$ 27.95	$ 27.95	$ 34.00	$ 36.21
Residential Customer Equivalents (RCEs)	696,732	700,216	703,717	707,240
Debt Service Coverage (Parity Debt)	1.35	1.34	1.33	1.32
Debt Service Coverage (Total Debt)	1.15	1.15	1.15	1.15
Rate Stabilization: Contribution (Use)	$ 5,800,000	$ (19,950,000)	$ -	$ -
Capacity Charge Rate	$ 42.00	$ 50.00	$ 51.50	$ 53.05
New Connections	8,500	8,500	9,000	9,000
Estimated Capacity Charge Revenue	$ 23,320,000	$ 27,352,000	$ 31,660,000	$ 35,917,000
Proposed 2008 Sewer Rate Financial Forecast				
Sewer Rate	$ 27.95	$ 27.95	$ 32.95	$ 35.75
RCEs	694,390	697,860	701,350	704,860
Debt Service Coverage (Parity Debt)	1.35	1.35	1.33	1.34
Debt Service Coverage (Total Debt)	1.15	1.15	1.15	1.15
Rate Stabilization: Contribution (Use)	$ 8,250,000	$ (17,650,000)	$ (5,100,000)	$ -
Capacity Charge Rate	$ 42.00	$ 46.25	$ 47.64	$ 49.07
New Connections	9,000	9,000	9,400	9,600
Estimated Capacity Charge Revenue	$ 24,000,000	$ 28,032,000	$ 32,585,000	$ 37,389,000

LOTT Reclaimed Water Program – Karla Fowler

LOTT is a partnership of four governments: the cities of Lacey, Olympia, Tumwater and Thurston County. The non-profit functions as a special purpose government. It is owned and governed by the four partners with one representative from each of the three city councils and Board of County Commissioners. Last November, LOTT turned 30-years old and for the first time in that history, they started to send treated water back into the community for beneficial use purposes. The planning effort that lead to the reclaimed water program took 11 1/2 years. LOTT services the Lacey-Olympia-Tumwater area and functions as a wholesaler to the cities, who serve as the retailer. LOTT provides the wastewater treatment services, the main sewer interceptors and associated pump stations. The cities built the collection system and bill the customers directly for their portions as well as LOTT's.

The main wastewater treatment plant, the Budd Inlet is located in downtown Olympia and treats 10-12MGD to advance secondary standards. That water is then discharged into the Budd Inlet. LOTT's move toward reclaimed water resulted from the need to plan for future wastewater treatment capacity. Why was that decision made? Because the community felt very strongly that water should not be wasted. This was the result of a long-range planning effort that ran from 1995-1999 of which $1.5 was spent on public involvement. Public opinion was very strong that this was the right thing to do.

The long-range wastewater resource management plan is based on providing a system of satellite treatment facilities throughout the service area to meet future capacity. Three areas were identified for satellite treatment plants. The first facility built was at Budd Inlet and features a sand filter system. Construction was completed in 2005 and it became fully operation Summer 2006. A portion of the water is treated and then sent to the sand filter to provide additional filitration that meets Class A Reclaimed Water Standards. It can treat up to 1MGD on a sustained basis or 1.5MGD on a peak basis.

Sending the water out lead to the next question. Who would purvey the water? LOTT is not a water purveyor and the cities who operated both their own sewer and water facilities did not want to compete. The City of Olympia serves as a water purveyor and charges 70% of their water rate for irrigation purposes, they currently have three users for the Budd Inlet facility. The State Department of General Administration uses the water for irrigation at Heritage Park, Marathon Park, Deschutes Parkway and is planning to use it at Capitol Campus. The State led the way by first using it for pressure washing then for irrigation at the parks.

The Port of Olympia currently uses the water for irrigation, dust suppression and a landscaping pond. The City of Olympia has a filling station for trucks and uses the water to irrigate at Percival Landing. Last year there was a community celebration to inaugurate the first uses of reclaimed water in the community.

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Located in Lacey, is the Hawks Prairie satellite plant, the first of our satellites' located on Martin Way on 3.5 acres. This was initially built to treat 2MGD it is expandable up to 5MGD. This membrane bioreactor system will produce Class A Reclaimed Water to serve portions of Lacey and Olympia. Operation started last July and they are officially still in testing mode treating of .5MGD to 1MGD per day. There are 3 miles of purple pipe to transport the reclaimed water from the plant to the ponds and recharge site. This site has been deliberately designed as a park like setting as is open to the public from dawn to dusk. Public visibility and education is the primary purpose of this pond site. Notifications signs are posted to inform the public that water is being used wisely. Signs are also posted along the pond instructing people that no swimming is allowed. Reclaimed water can be used for swimming with specific permission from the Department of Health. If a municipality asks then they would be inclined to say yes.

Planning has begun for a second satellite plant. In Tumwater, a 12 acre property was purchased for future groundwater recharge. Once a long range plan was established, a year was spent determining the finances. There are two sources of revenue, the connection fee or the capacity development charge and monthly rate or wastewater service charge. The Capital Improvement Plan includes two types of projects: system improvement and capacity. To fund system improvement, 91% of the cost is derived from monthly rates with the remaining 9% from connection fees. New capacity is needed to serve growth and there was strong public opinion that growth should pay for growth. But the elected leaders recognized that reclaimed water and groundwater recharged served existing residents over and above new customers connecting to the sewer system. So some portion of rate payer contribution was also appropriate. The ultimate decision there was 88% of new capacity projects should come from connection fees and 12% from rates. The connection fees are $3400 with an increase of $64.10 per year. The electeds did not want to start that high and it was determined that an increase of $64 was needed each year to meet the needs of the plant. By the end of the 2020 year period the total average will be achieved. There is no inflation factor built into these numbers. The current monthly rate is $25.50 per RCE has not changed since December 1999 since the rate went into effect. That is currently changing set to increase by $1.50 per year till 2012. The connection fee will also increase by $150 per year till 2012.

What about reclaimed water revenues? The cities are charged $1 per year for each of facilities. Part of the justification for LOTT paying the cost reclaimed water production and the initial pipeline that connects the facility was that this was their outfall. Other policy issues centered on who would own the water and have rights to it. An Interagency Reclaimed Water Policy Task Force was created to address this issue. For four years, they meet weekly to address policy issues and identified 40. Most of them were addressed through a series of interlocal agreements that includes a rather distribution methodology. A process was developed to figure out how much water would be distributed to each city. The next step was an operational supply agreement was developed to answer the question when does the water stop being LOTT and starts being the cities. To fulfill LOTT's permit requirements, the cities signed an end user agreements that assured LOTT that they would abided by the standards and regulations that apply to reclaimed water. The cities also have to put ordinances in place. Communication has been a critical component and public acceptance is crucial to successful implementation of reclaimed water program. LOTT will be building an education center and administration building and include a comprehensive education program for the public.

Member Question: You mentioned that you charge $1 to the agencies per year is the distribution for the reclaimed water part of the overall system? **Answer:** Each cities approach it differently. The City of Olympia in negotiations with the General Administration and the Port, both of them wanted the water for free and thought they were entitled to it. The Butt Inlet plant is pretty flexible; it will only produce what is actually being used with the rest being discharged into the inlet. The city is responsible for building additional lines and must determine their own cost recovery method. Olympia chooses to include it into their overall water utility. Lacey is creating a reclaimed water utility.

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Member Question: The sand filtration system used for reclaimed water does it have a chemical treatment process? **Answer:** There are polymers used but I can't tell you the extent?

Member Question: Can you describe the LOTT board? How do they interact? **Answer:** There are four members, each city has one representative from their city council and the Board of Commissioners appoints one member. Four members raised some eyebrows when we were going through the government structuring because it had the potential for a 2-2 split. We have been fortunate over the years because that only happened once. I won't pretend that the long range planning process was easy, it wasn't there was enormous compromise and discussion, particularly in the finance governance issues and crafting the new interlocal agreement. We have an excellent working board and have had the same members for at least three years now. We have had divisive force in the past, there were really strong opinions.

Member Question: How does this board deal with money? **Answer:** We put together an annual budget. We have a number of work sessions with them to talk about the individual parts and pieces. They do weigh in on certain types of projects.

Member Question: What is the budgeted amount? **Answer:** It was $12M a year operationally. Our capital budget is $36M for this year and our long range capital budget is over $300M.

Member Question: Did you say that you had a water related issue that you were trying to solve? **Answer:** LOTT focus was strictly on future wastewater treatment capacity. We had studies that showed the Butt Inlet Plant would be out of capacity by early as 2001. We had some pretty significant drivers for creating future wastewater treatment capacity. What has happened since and over the last couple of years in particular there is a significant water need. Lacey had a water rights application in at the Department of Ecology for 11 years that have not yet been brought to fruition. They have stopped permitting new development outside the existing city limits but within the Urban Growth Boundary. They are in really tight straights right now and unless a developer can come in with their own water rights. The other two cities looking strongly into their water supply plans are recognizing reclaimed water as an important part of their peak use.

Member Question: Would it be fair to characterize your water reuse program as a program where you were addressing a water related concern and had willing partners who knew the cost going into the project, you had mutually negotiated contracts and responsibilities and cost-sharing with predictable outcomes?
Answer: I would think I would break that up we had to do that one step at a time. Actually in our planning for wastewater resource management plan, we didn't go straight to it. We evaluated a whole list of nine alternatives for what we could do with treated wastewater. In the end even though they recognized that reclaimed water had higher costs, it was recognized that it was the right thing to do for the future and it will provide other benefits as well.

Member Question: But none of your other partners were held hostage in the LOTT process? **Answer:** Yes.

Member Question: How far downgrading it from the groundwater recharge area, the first drinking water well? **Answer:** We are required to be one year travel time away.

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www.lottonline.org

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360-438-2687

City of Olympia
360-753-8793

City of Tumwater
360-754-4140

Thurston County
360-357-2494

LOTT Alliance
360-664-2333 x1112

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Member Question: You mentioned that the primary driver was the public wanting reclaimed water. Can you describe the permit drivers? **Answer:** The annual permit drivers hadn't finished yet, but we were pretty sure they were going to clamp down on water quality discharges and the volumn we could discharge. We knew that the Deschutes River, Capital Lake and Budd Inlet were going to be the subject of a TDML. It hadn't started yet, but we knew the handwriting was on the wall. We certainly were looking ahead to find a solution that also addressed future permit resctrictions and that in fact, did happen. Our summer time discharge was reduced, we had been at 15MGD and has been reduced to 12.5MGD. But the TMDL results are suppose to be in the Fall and we could see further restrictions.

Member Question: Did any of the options that you looked at for reuse of the water look at Creek or urban wetlands during summer months that may be drying up because of urbanization in July and August?
Answer: Yes, we have been looking at Woodland Creek. We have another study looking at additonal recharge and conveyance alternatives for reclaimed water. What we have been finding that it is tough to find suitable properties. Some of those are looking at the Deschutes River as a potential for stream flow augmentation. That study has found that the finding a way to get water to Woodland Creek would be difficult. The cities are very interested in looking at possibilites for reclaimed water to be used for water rights mitigation.

Member Question: Would stream flow augmentation going to require additional treatment above Class A? **Answer:** The way we would do it is actually putting the reclaimed water into a wetland that would basically be a groundwater recharge that would feed the streamland augmentation. Of course, the chlorine would have be out of there.

Member Question: Have you looked at a more distributed system with MBRs? **Answer:** We have not yet looked at it.

MEMBERS' MEETING MINUTES

Finance Subcommittee - Trish Erickson, Chair

Finance has requested that the Culver Fund issue be sent to them for consideration.

Engineering & Planning Subcommittee - Scott Thomasson, Chair

The next E&P meeting is scheduled for Wednesday, May 9th at Brightwater.

Contracts Subcommittee - Ron Speer, Chair

Please contact Ron Speer for details on the current contract negotiations with King County.

Motions: A motion was passed with one dissent to support the proposal for an ad-hoc committee to be established for the renewal of contracts.

Metropolitan Water Pollution
Advisory Abatement Committee

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June 2007

SUN	MON	TUE	WED	THU	FRI	SAT
					1	2
3	4	5	6	7	8	9
			June 6, 2007 10:30 am – 2 pm MWPAAC General & Members' Mtg Renton Technical College H103			
10	11	12	13	14	15	16
			June 13, 2007 9 – Noon E&P Subcommittee Mtg KSC 8th Floor Conference Room			
17	18	19	20	21	22	23
24	25	26	27	28	29	30

Metropolitan Water Pollution Advisory Abatement Committee

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