



Pt. Hadlock Wastewater System

Sewer Advisory Group

September 9, 2009

Meeting Number 3

KI&A
Katy Isaksen & Associates



Pt. Hadlock Wastewater System – Sewer Advisory Group

Agenda

- Introduction
- Acceptance of meeting summary
- Update/Follow-up from last SAG meeting
- Policies & ordinances
- Policy discussion – SAG input
- Policy recommendations
- Technical update
- Wrap-up & next steps





Recap – SAG #2

- Summary of Recommendations to-date.



Updates Since Previous Meeting

- Senior/Low-Income Assistance (Later this meeting)
- UGA Compliance Update
- USDA-RD Grant - **Approved!!!**
- Recap of Financing/Cash Flow Plan



Est. Rolled Up Cost per ERU

Ongoing O&M with Admin.

\$60 per ERU per month

+

Est. Capital Costs

? "Art" of financing



\$13,070 with 45% grant



\$20,900 without grant

ERU: residential = 1 ERU per dwelling unit; commercial equals 1 ERU per 4,000 gallons of monthly water use.



Policies & Ordinances - Overview

- ✓✓ Connections to system (SAG Meetings #1 & 2)
- ✓✓ System management (SAG Meeting #2)
- ✓✓ Cost allocation/ULID (SAG Meetings #2 & 3)
 - Rate structure (SAG Meeting #3)
 - Ancillary services (SAG Meeting #3)
 - Sewer availability (SAG Meeting #4)
 - Extension of system (SAG Meeting #4)
 - Recap of SAG recommendations (SAG Meeting #4)



What We Want from You Today...

- Advice on policies & ordinances
 - Local Improvement Districts (LID/ULID)
 - Monthly rates – how to structure?
 - Monthly rates – discounts to allow?
 - Mobile Tank/Septage/RV Disposal



NOTE

- Advice on policies & ordinances
 - In order to assist the SAG, a slide is included for each question with a potential recommendation/s.
 - SAG can use this recommendation/s, or
 - SAG can make any recommendation it thinks is appropriate, or
 - SAG can provide a range of opinions if consensus isn't reached.



Policy: Collecting Allocated Capital Costs

- How to collect allocated capital costs from sewer customers?
- Alternatives:
 - Connection charges
 - Local Improvement District (LID/ULID)
 - Debt repayment through monthly rates
 - Some combination of the above
- Factors to Consider:
 - New utility, no existing revenue stream
 - For the ULID approach, sewer customers begin paying annual assessments after construction of sewer line which could be before they connect to the sewer system
 - The ULID approach allows for increasing the ability of customers to finance their share and typically at a lower interest rate



Capital Cost Recovery Methods

- Connection charge
 - Pay only when connect to sewer
 - Property owners must come up with funds – savings, home equity loan, second mortgage, credit card, potential special bank arrangements
- ULID (Utility Local Improvement District) Assessment
 - Pay annual assessment over 10-20 years
 - ULID formed to fund sewers in specific areas
 - Draw boundary around properties, all are in
 - Assessment cannot exceed benefit
 - Start paying assessment after construction, not necessarily when connecting
- Debt repayment through monthly rates



Capital Cost Recovery Strategies

CONNECTION CHARGE

Pay General & Local upon connection	Without Grant	With Grant* (Residential)
Connection Charge per ERU**	\$17,400	\$9,570
+ Average On-Site	\$3,500	\$3,500
Est. New Connection	\$20,900	\$13,070

CONNECTION CHARGE + ULID ASSESSMENT

Pay General upon connection + Pay Local thru ULID Assessment	Without Grant	With Grant* (Residential)
Connection Charge per ERU	\$9,300	\$5,115
+ ULID Assessment per ERU	\$8,100	\$4,455
+ Average On-Site	\$3,500	\$3,500
Est. New Connection	\$20,900	\$13,070

* Assumes 45% Grant for Residential Capital Costs

** One ERU is 4,000 gallons of water per month



ULID Process

- ULID Process specified by state law
- Two methods of forming a ULID:
 - Petition method
 - Resolution method
- Majority of property owners must be in favor
- Facility plan offers ULID as alternative for funding local facilities
- Benefit to customers:
 - Ability to finance local costs over 20 years instead of paying upon connection; option to pre-pay and avoid interest charges
 - Typically better terms than a home equity loan
 - Individual property owners do not have to qualify for a loan
 - Ability to phase in local collection system – you don't begin paying until it comes to your neighborhood





ULID Examples

- Kitsap County Manchester Sewer ULID #9
- Bainbridge Island South Island ULID's
- City of Tacoma
- City of Edgewood



Recommendation?: Methods of Capital Cost Recovery

For capital costs that do not receive grant funding:

- **General Facilities** to be paid by connection fee
- **Local Facilities** to be paid by connection fees OR by Utility Local Improvement District (ULID) assessment
- **Private On-Site Facilities** to be funded by property owners
- County should seek methods of increasing the ability of customers to finance their share
- SAG recommends/does not recommend ULID as a financing method

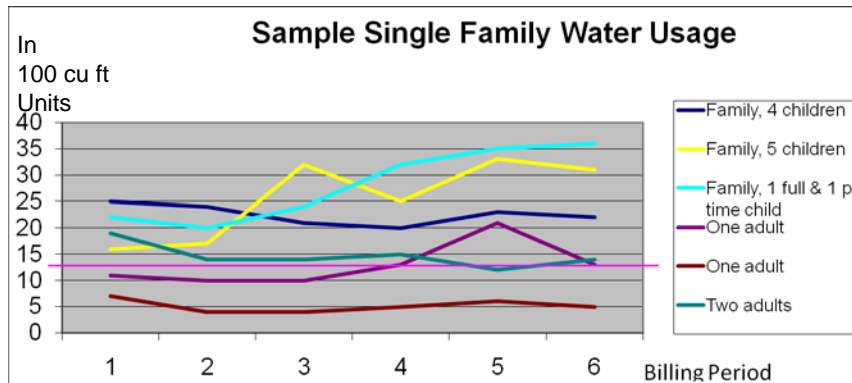


Policy: Monthly Rate Structure

- Monthly rates – how to structure?
- Alternatives:
 - Flat, by ERU, base + volume, volume by strength
 - Residential can be different from commercial
 - Multi-family as residential or commercial
- Factors to Consider:
 - Predictable revenue for utility
 - Predictable vs. variable rates to customers
 - Cost of administering rates, billing system
 - Equity among customer classes



Sample Residential Customer Usage (2-month bill)





Rate Structure Alternatives

RATE TYPE	Description	Comment
- Per Equivalent Residential Unit (ERU)	Residential = per dwelling unit, Commercial/Industrial = per 4,000 gallons per month	Used in the Facility Plan Simple method of combining flat & volume based methods
- Flat	Same rate regardless of usage	Simple, predictable, common for residential
- Base	Fixed amount per month, may include a certain volume	Typically paired with volume, can be per account, connection or meter size
- Volume	Based on water usage reported from water provider	Most sensitive to water conservation
- Average Winter Water Use (AWWU)	AWWU calculated in spring to bill for next full year	Typically for residential
- Two-tier	One rate charged for usage up to a level, a higher rate charged for usage over the level	Pt. Townsend uses 3,000 gallons/month to avoid issues with averaging



Example Rate Structures

- Jeff. Co. PUD Water
 - Base + Volume for all
- Kitsap Co.
 - Non-commercial/industrial = flat rate per unit
 - Commercial/industrial = same volume rate
- Bainbridge Island
 - City treatment – base + volume for all, avg. winter water use cap for residential
 - Contract treatment – flat rate per ERU
- Pt. Townsend
 - Residential – Two-tier flat rate over/under 3000 gallons
 - Multi/Commercial – Base by meter size + volume by user class, irrigation meters are encouraged



Recommendation?: Monthly Rate Structure

- Keep balance between simple administration and equity to customer classes
- Make sure it works on billing system
- Residential – flat OR two-tier system?
- Commercial –
 - increase by volume/ERU
 - simple increase by user class waste strength
 - minimum of 1 ERU



Recommendation?: Multi-family

- Multi family, designed for more than one family, billed by unit at lesser rate OR billed like commercial?

Housing Type	Bill as
Single family home	Residential
Duplex	Residential
Mobile home not in designated park	Residential
Townhome, Condo	Residential
Accessory Dwelling Units	W/main residence
Apartment bldg (3+ units)	Commercial
Mobile home park	Commercial
Hotel/motel	Commercial
Institutional (school, church)	Commercial
Mixed Use residential & commercial	Commercial or mixed



Monthly Rate Discounts

- Who should be offered discounts to monthly rates?
- Alternatives:
 - Low-income senior homeowners
 - Low-income disabled homeowners
 - Low-income homeowners
 - Other
- Factors to consider:
 - Clear definition and process to qualify
 - Typically annual qualification based on income
 - Ensure that discount gets to eligible party - homeowner vs. tenants that do not pay bill
 - “Zero-Sum Game” - Discounts offered to some will be picked up by all others



Examples: Rate Discounts

- Jeff. Co. PUD Water
 - Low income senior, low income disabled, 30% on base charge
- Kitsap Co.
 - Those receiving property tax exemption: low income senior & low income disabled property owners 15%.
- Bainbridge Island
 - Low income senior & low income disabled, 50% reduction on owner-occupied
- Pt. Townsend
 - Low income, low income senior & low income disabled, approx. 30% reduction



Recommendation?: Monthly Rate Discounts

The County should:

- Consider offering monthly rate discounts to low-income seniors and low-income disabled that own their homes
- Qualification should be coordinated with either the Assessor's tax exemption status or the contract billing agency (PUD)



Policy: Allow Mobile Tank Disposal?

- Should mobile tank/septage/RV disposal be allowed at a specified point at the plant?
- Alternatives
 - Yes or No
- Factors to Consider:
 - Capacity and control of disposal into system, system upsets
 - Potential revenue generator
 - Can provide alternative disposal in Jefferson Co.
 - Where are they discharging now?



Should mobile tank waste be accepted?

In Favor	Not In Favor
Keep option on the table for design purposes to consider later.	Adds complexity in operations – keep it simple. Potential upsets to treatment process.
Beneficial use of excess capacity at the plant that can generate revenue	Will need to monitor the capacity
Provides alternative disposal for septage and RV's in the county – discourages illicit discharges	Requires attendant to ensure waste is acceptable. Do not want to provide competition for existing options within the county.
<i>Example: Kitsap Co. accepts only waste generated in the county</i>	



Recommendation?: Should mobile tank waste be accepted?

- The County should leave this option open during design.
- Restrict sources: only from in-County, only septage, licensed haulers, RV's?

OR

- The County should not complicate the design and operation by accepting mobile tank waste?



Policies & Ordinances

- SAG questions
- Follow-up items
- Next steps on policies and ordinances
 - System extension
 - Sewer availability
 - Recap of SAG recommendations



Preliminary Design - Current Activities

- System site evaluation:
 - County determining course of action for discussion/negotiation.
- MBR technology:
 - Submitted draft recommendation to County.
 - BoCC to confirm recommendation in coming months.



Wrap Up & Next Steps

- Action items
- Key questions
- Next steps
- Next meeting October – 6th