LAKE WHATCOM WATER AND SEWER DISTRICT
1220 LAKEWAY DRIVE
BELLINGHAM, WASHINGTON 98229

REGULAR MEETING
OF THE BOARD OF COMMISSIONERS

AGENDA

September 12, 2012

6:30 p.m. – Regular Session

1. CALL TO ORDER

2. PUBLIC COMMENT OPPORTUNITY
   At this time, members of the public may address the Commission. Please state your name prior to making comments.

3. ADDITIONS, DELETIONS, OR CHANGES TO THE AGENDA

4. CONSENT AGENDA

5. SPECIFIC ITEMS OF BUSINESS:

   A. Financial Software
   B. Monthly Budget Analysis
   C. Summary of Existing District Projects
   D. Discussion-City of Bellingham Wastewater Treatment Contract

6. OTHER BUSINESS

7. MANAGER'S REPORT

8. PUBLIC COMMENT OPPORTUNITY

9. ADJOURNMENT

LAKE WHATCOM WATER AND SEWER DISTRICT

AGENDA BILL

DATE SUBMITTED:	September 5, 2012		
TO BOARD OF COMMISSIONERS			
FROM: Patrick Sorensen	MANAGER APPROVAL		
MEETING AGENDA DATE:	September 12, 2012		
AGENDA ITEM NUMBER:	5.A.		
SUBJECT:	Financial Software		
LIST DOCUMENTS PROVIDED ⇨ NUMBER OF PAGES INCLUDING AGENDA BILL: _____	1. Request for Proposals – Cost Summary		
	2. Article about BIAS		
	3.		
TYPE OF ACTION REQUESTED	RESOLUTION ☐	FORMAL ACTION/ MOTION ☒	INFORMATIONAL/ OTHER ☐

BACKGROUND / EXPLANATION OF IMPACT

The District utilizes a financial software package that centralizes all aspects of District business and accounting functions. Since 2006, the software used is Springbrook. There have been several minor updates, but the software has remained relatively unchanged. Springbrook is encouraging its clients to migrate to its newer version of software.

Staff received a quote about a year ago to move to the newer version. The amount was significant enough for staff to begin inquirering and researching alternate software solutions. This summer the District published a request for proposals (RFP). The RFP outlined District requirements and functions for a centralized business and accounting software solution. The RFP was published in the Bellingham Herald on August 10, 2012. Three proposals were received.

Of the three submittals one package, BIAS, significantly stands out as meeting or exceeding District requirements and is unanimously recommended by District accounting and office staff. Some of the important highlights of BIAS are:

- Real time versus batch processing
- One button year-end state audit reports (Has potential to save District about $5k in accountant consultant fees each year.)
- Developed and maintained in Washington State to specifically comply with Washington State requlations.
- Little or no customization required

- Good references from accounting staff at other Districts and small Cities.

FISCAL IMPACT

None in 2012.

Staff recommends allocating funds in 2013 budget for one of the alternatives (upgrade or different package).

RECOMMENDED BOARD ACTION

Staff recommends moving to BIAS for the District's centralized business and accounting software solution. BIAS provides the best function and flexibility of all the systems. Initial costs are more than a Springbrook upgrade, but has a significantly less annual service fee. Over a period of 3 or more years, BIAS will be the least expensive solution.

Staff also recommends authorizing a contract soon so BIAS can begin integration and parallel test runs this fall to be ready for deployment in the new fiscal year starting January 1, 2013. BIAS will postpone invoices until January 2013 when the software has been fully integrated. They also offer multi-year 0% interest payment plans.

PROPOSED MOTION

Authorize staff to enter into an agreement with BIAS to provide business and accounting software not to exceed $58,000 provided no invoices are received in 2012.

LAKE WHATCOM WATER AND SEWER DISTRICT

INTEGRATED MUNICIPAL FINANCE SOFTWARE

REQUEST FOR PROPOSAL

Having evaluated the Specifications, the Supplier offers the following prices (including .087 sales tax) to supply and deliver financial software to Lake Whatcom Water and Sewer District.

	BIAS	VISION	SPRINGBROOK UPGRADE TO VERSION 7
GL/AP/Budgeting/WA State Annual Reporting	$10,070.00	$13,744.00	$3,375.00
Utility Billing	$10,070.00	$18,635.50	$4,750.00
Job Costing	$4,180.00	Not available	$750.00
Payroll	$12,207.50	$13,744.00	$3,500.00
Cash Receipting	$9,690.00	$7,222.00	
Water/Sewer Permits	No charge	Not available	$2,500.00
LID	$4,940.00	$6,522.00	$2,750.00
Purchase Orders	$4,180.00	$3,804.50	$1,000.00
SQL Server Migration		$1,087.00	
Data conversion	$1,800.00		
Software licenses			
Migration			$12,000.00
TOTAL	**$57,137.50**	**$64,759.00**	**$30,625.00**
ANNUAL SERVICE FEE	**$8,300.00**	**$7,600.00**	**$18,950.00**

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Special Report - Banking, Finance & Investment - March 24, 2011

Helping public-sector clients keep their books straight

Small software firm here markets product designed to meet state's standards

By Chey Scott
Of the Journal of Business

Wes Hein, left, and Mark Felchlin say the 4 1/2-year-old company expects to sign its 100th customer later this year. Most of its clients are small governments in Washington.
—Photo by Chey Scott

Small cities and other local governments throughout Washington and parts of Oregon rely on software that's designed and sold by a relatively young Spokane company, BIAS Software Inc., to track daily management and financial operations.

Company co-owner Mark Felchlin says the 4½ year-old company is growing by about 15 to 20 clients annually, with hopes of continuing at that steady rate, and expects to sign its 100th client later this year. He says the company has increased its revenues by about 25 percent a year for the last three years.

BIAS's software is designed specifically for public entities, such as cities and water, fire, park, and conservation districts. In Washington, such entities are required to submit annual or semi-annual financial reports to the Washington state Auditor's Office using a statewide set of standards referred to as BARS, which stands for Budgeting, Accounting, and Reporting System.

Felchlin says Washington is the only state in the U.S. that uses BARS specifically. BIAS's software allows small, local governments to manage in a BARS-compliant manner their annual budget reports, payroll, utility billing, cash receiving, and to issue business licenses and building permits.

"Our niche is that we developed our system around the Washington state BARS system, which gives us an advantage over outside players because our system is designed for the state reporting that Washington requires," Felchlin asserts.

BIAS targets mostly cities with populations below 20,000 and small government entities such as fire districts. He says the majority of its clients are based in Washington. Its largest client is the city of Arlington, about an hour's drive north of Seattle.

In the Inland Northwest, its clients include the cities of Airway Heights and Liberty Lake, as well as the Spokane Regional Clean Air Agency and the Spokane County Conservation District, Felchlin says.

Local government jurisdictions in Oregon also can use BIAS's software because Oregon doesn't have a statewide standard for its audit reports.

"It's wide open in Oregon and (entities) can use whatever they want," Felchlin says. "But in Washington, it's

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People and Concepts That Represent the Best of the Restaurant Industry
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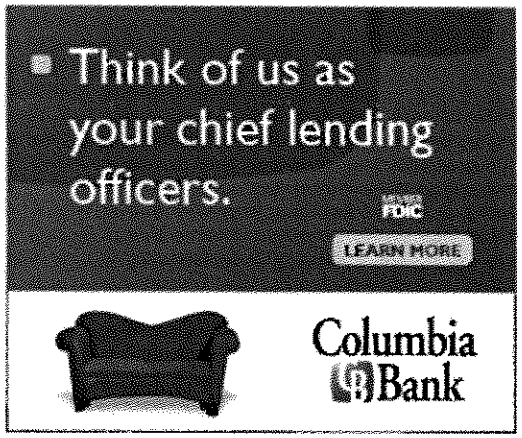


restricted. The state auditors came up with a code system, and we thought we could implement it in other areas that could take advantage of it because it's an accounting structure that allows them to easily find information."

Though the company was incorporated in 2006, the software that it markets was developed 24 years ago by company co-owner, Wes Hein, a fourth-generation farmer from the small farming town of Fairfield, Wash., located about 30 miles southeast of Spokane.

Hein says he hasn't had any formal training in computer programming and created BIAS's programs using a software application-design program developed by a company called Magic Software Enterprises.

He says he initially wrote the software for use on his farm because he wanted to create a better method to record and track grain prices. "I didn't like any of the software out there, so I wrote my own," he says.

He says he sold the software to other farmers, then modified it so that municipalities and other small government entities could use it. Spangle, Wash., was the first municipality to which Hein sold the accounting software, that occurring in 1991.

Hein says he decided to quit farming in 2006 to focus on updating and improving the accounting software's capabilities full time, and that's when Felchlin came on board after leaving a job in banking.

Customers purchase the rights to use BIAS's software, rather than owning the software outright, and pay an additional annual service contract fee that covers any software upgrades, as well as technical support needs and financial consulting services.

Felchlin declines to disclose a dollar range for the charges customers typically pay.

For smaller entities that don't have large budgets, BIAS offers a monthly pricing arrangement for the initial software rights purchase, which varies in cost depending on what features an entity needs, such as financial or citizen services. Citizen services include utility billing, permitting, and licensing.

Besides designing and selling its accounting and municipal management software programs, and providing the previously mentioned technical and financial-management support, BIAS offers periodic workshops designed to provide them further assistance, Felchlin says.

The company also hosts annually a three-day conference in Spokane for its clients and encourages city clerks and other elected officials from the entities it serves to come. The conference features speakers from state offices, such as the Department of Revenue and the auditor's office, as well as educational workshops on how to create annual budgets and use the features of its software, Felchlin says.

Says Hein, "We invite guest speakers that have information our users would like, and we have some classes on our software, and then we have speakers come in to help the clients do their job outside of the software."

BIAS's offices are located east of downtown, at 302 E. Pacific. It employs seven people, including two support technicians and two certified public accountants who help users effectively navigate the software and manage finances.

90

"The CPAs can provide more in-depth financial information," Felchlin says. "Most smaller governments can't afford to have that kind of person on staff, so we fill in that gap and can provide those higher-level accounting skills, and that has helped us grow."

Felchlin says some of BIAS's bigger competitors that offer similar accounting software are Springbrook Software Inc., of Portland, Ore., and Tyler Technologies Inc., based in Dallas.

He adds that one factor that's helped the company expand its client base has been referrals from the software's current users who tell other municipalities and special taxing districts about BIAS.

"Our clients explain it to people and tell them about the benefits," he says. "In software, you maintain a relationship with your clients and we have a contract that's tied to them to continue that relationship, so we hear from them every day and get to know them."

He adds that all of BIAS's employees can take technical-support calls, but the company has two main support technicians.

Hein still remains the company's main software designer, and he says the interaction he has with BIAS's clients on a daily basis helps him further develop its programs to be the most efficient for its users.

"I can see how they are using a product and watch them work," he says. "The interaction with users from a design perspective is very useful, and for a company our size, we all interact with our customers so we can make the software better and faster."

Have questions or comments about this article?

LAKE WHATCOM WATER AND SEWER DISTRICT

AGENDA BILL

DATE SUBMITTED:	September 5, 2012		
TO BOARD OF COMMISSIONERS			
FROM: Debi Hill	MANAGER APPROVAL:		
MEETING AGENDA DATE:	August 8, 2012		
AGENDA ITEM NUMBER:	5.B.		
SUBJECT:	Monthly Budget Analysis		
LIST DOCUMENTS PROVIDED ⇨ NUMBER OF PAGES INCLUDING AGENDA BILL:	1. Monthly Budget Analysis as of 8/31/2012		
	2.		
TYPE OF ACTION REQUESTED	RESOLUTION ☐	FORMAL ACTION/ MOTION ☐	INFORMATIONAL/ OTHER ☒

BACKGROUND / EXPLANATION OF IMPACT

Information only

FISCAL IMPACT

n/a

RECOMMENDED BOARD ACTION

n/a

PROPOSED MOTION

n/a

MONTHLY BUDGET ANALYSIS

OPERATING FUND - 401

	Description	2012 Budget	YTD 8/31/2012 67%	
REVENUES				
401-343-20-00	Latecomer Fee	1,000	651	65%
401-343-40-10	Water Sales Metered (9% rate increase) *	1,478,133	934,139	63%
401-343-40-18	Water Sales Lock/Unlock	7,500	6,460	86%
401-343-40-19	Water Sales Other (billing suspension,transfer fee etc.)	24,000	12,471	52%
401-343-50-11	Sewer Service Residential (4.5% rate increase) *	3,207,832	2,135,083	67%
401-343-50-19	Sewer Service Other (transfer fee, return item etc.)	1,300	790	61%
401-359-80-00	Late Charges / Lien fees	64,000	43,021	67%
401-360-10-00	Bank fees	1,100	1,279	116%
401-361-11-10	Investment Interest	-		
401-369-10-00	Sale of scrap/junk recycle		652	
401-379-10-20	Permits Operation portion (5 new connection permits)	15,000	18,993	127%
	TOTAL REVENUES	**4,799,865**	**3,153,539**	**66%**

MONTHLY BUDGET ANALYSIS	Description	2012 Budget	YTD 8/31/2012	
OPERATING FUND - 401			67%	
EXPENDITURES				
401-53X-10-10	Payroll (3% cola plus step increases - 2012)	1,322,322	889,430	67%
401-53X-10-20	Personnel Benefits (15% increase - 2012)	515,940	341,343	66%
401-53X-10-31	Gen Admin Supplies (Databar, Oasys, KCDA)	27,000	33,688	125%
401-53X-10-32	Meetings/Team building	2,000	877	44%
401-53X-10-40	Bank Fees	4,000	5,727	143%
	County Auditor filing fees	3,000	6,000	
	Answering Service	1,500	987	
	Springbrook Annual Maintenance	20,000	20,469	
	GE Scada System Software Maintenance		7,523	
	WA State Auditor	10,000		
	Wilson Engineering	10,000	3,469	
	Wilson Engineering - Admin Code Update		10,011	
	Resick and Hansen	30,000	23,105	
	Legal labor support		4,181	
	3D - Computer support, Watchguard	15,000	12,393	
	Varner,Systma CPA firm	5,000	7,724	
	Tetra Tech	10,000	918	
	Cartegraph	8,000	9,780	
	Auto Desk	800	1,170	
	Rockwell	700	395	
	Arcview Software Maintenance	1,200	1,957	
	Custodial/Building maint. services/Security	6,800	7,347	
	Landscaping service	4,000	2,703	
	Interlocal - Lake Whatcom Management Program	20,000	11,882	
	Interlocal - Invasive Species	45,000		
	Docuware/Web site maintenance	4,000	5,354	
	Generator Load Testing	18,000		
	Cathodic assessment	2,000		
	Cyberlock software	500	360	
	Misc (Bid notices etc.)	1,500	640	
401-53X-10-41	Professional Services (TOTAL)	216,000	138,368	64%
401-53X-10-42	Communication	50,000	29,256	59%
401-53X-10-43	Memberships/Dues	10,000	10,755	108%
401-53X-10-44	B&O Taxes	144,000	90,328	63%
401-53X-10-45	Admin Lease	3,000	2,070	69%
401-53X-10-46	Insurance	75,000	7,372	10%
401-53X-10-49	Admin Misc.	3,000	-	0%
401-53X-40-43	Training & Travel	25,000	21,935	88%
401-53X-49-40	Insurance claims		1,803	
401-53X-50-31	Maintenance Supplies	45,000	30,578	68%
401-53X-50-48	Oper Repair/Maint (includes Asset Mgmnt tools)	85,000	55,463	65%
	Edge Analytical - water	6,000	4,303	72%
	Emergency Response - sewer tank trucks	5,000		0%
	Wilson Engineering	4,000	16,622	416%
401-53X-60-41	Operations Contracted (TOTAL)	15,000	21,405	143%
401-534-60-47	Water Ops City of Bellingham	18,000	16,322	91%
401-535-60-47	Sewer Ops City of Bellingham	675,000	500,064	74%
401-53X-80-31	Operations Gen Supplies	55,000	37,388	68%
401-53X-80-32	Operations Fuel	50,000	20,658	41%
401-53X-80-34	Safety supplies	10,000	8,536	85%
401-53X-80-35	Small tools (Meter replacement etc.)	15,000	977	7%
401-53X-80-47	General Utilities	215,000	137,117	64%
401-53X-80-49	Laundry	4,000	3,171	79%
	TOTAL OPERATING EXPENSES	**3,589,762**	**2,404,631**	**67%**
TRANSFERS				
401-597-10-00				
	Transfers Out to Capital Projects Fund 420	650,000	315,000	
	Transfers Out to 2009 Bond Debt Service Fund 450	295,500		
	Transfers Out to Water Loan Debt Service Fund 470	92,500	67,500	
	Transfers Out to ULID 18 Debt Svc Fund 480 (09 Bond reserve)	113,335		
	TOTAL EXPENDITURES	**4,741,097**	**2,787,131**	
OPERATING FUND	**REVENUES**	**4,799,865**	**3,153,539**	
	EXPENDITURES	**(4,741,097)**	**(2,787,131)**	
	CASH/INVESTMENTS BALANCE		**420,370**	

MONTHLY BUDGET ANALYSIS	Description	2012 Budget	YTD 8/31/2012
RATE FUNDED SYSTEM REPLACEMENT FUND - 415			
415-361-11-00	Investment Interest	15	5
	TOTAL REVENUES	15	5
	TOTAL EXPENDITURES		
RATE FUNDED SYSTEM REPLACEMENT FUND	REVENUES	15	5
	EXPENDITURES	-	-
	CASH/INVESTMENTS BALANCE		13,532

MONTHLY BUDGET ANALYSIS		Description		2012 Budget	YTD 8/31/2012
CAPITAL PROJECTS FUND - 420					
420-343-40-19		DEA Permits		2,500	7584
420-361-11-00		Investment interest		-	
420-379-10-30		Permits Capital Portion (5 permits for 2012)		35,000	33,268
420-379-10-40		Latecomer Fees		500	13,962
420-397-10-00		Transfers In from Operating Fund 401		650,000	315,000
		Transfer In from System Replacement Fund 415			
		TOTAL REVENUES		**688,000**	**369,814**
420-534-10-41		DEA Contracted Services		2,500	1,647
420-534-60-41		Contracted Operations		-	
420-534-90-61		DEA Refunds		10,000	
420-594-38-62		Capital Outlay - Structures			
420-594-38-63		Capital Outlay - Water/Sewer System			
420-594-38-64		Capital Outlay - Equipment			
		Previous Projects			
	C10-05	CMOM Spot Repairs			3,875
	C10-06	Sewer Emerg Equip			51,155
	C11-03	Pole Building			7,828
	C11-05	Operations Building remodel			66,457
	C11-06	Sonar Planning			5,592
	C11-11	SVWTP Skylight			2,449
		New Projects		583,660	
	C12-12	Install asphalt apron at operations center	5,000		
	C12-01	Replace tool truck	52,000		38,329
	C12-11	Install level transducers in pump stations	16,000		
	C12-13	Replace camera equipment	37,960		
	C12-05	CMOM sewer spot repairs	160,000		109,960
	C12-10	SVWTP replace generator (pre-design and permitting)	56,243		
	C12-09	SVWTP raw water pump motors	32,898		
	C12-02	SVWTP Div 30 booster, steel reservoir coatings	37,000		19,966
	C12-14	Blow off installations at dead ends	37,960		
	C12-07	Div 7,22 & 30 reservoirs - daylight overflow/drain pipes	13,000		
	C12-03	Meter reading handheld data collectors	13,000		
	C12-06	Agate Heights WTP - restroom facilities	22,000		12,756
	C12-04	Reservoirs - inspection & maintenance	35,000		18,603
	C12-15	Water service rebuilds	15,600		11,219
	C12-16	Beaver Creek bridge replacement	50,000		10,039
	C12-08	Geneva Project (PRV)		208,100	123,999
		TOTAL EXPENDITURES		**804,260**	**483,874**
CAPITAL PROJECTS FUND		**REVENUES**		**688,000**	**369,814**
		EXPENDITURES		**(804,260)**	**(483,874)**
		CASH/INVESTMENTS BALANCE			**15,795**

MONTHLY BUDGET ANALYSIS		Description	2012 Budget	YTD 8/31/2012
CAPITAL BOND PROJECTS FUND (RESTRICTED) - 430				
430-361-11-00		Investment interest	-	10
		TOTAL REVENUES	-	
430-594-38-63		Capital Outlay	-	
	C09-01	Cable-Ranch-PM Pump stations		42,451
	C09-02	Telemetry Improvements		13,536
	C09-11	SVWTP Control System		60,790
	C09-13	LLR Fiber Optic Cable		46,008
430-597-10-00		Transfers out to Bond Debt Service Fund 450	150,000	150,000
		TOTAL EXPENDITURES	**150,000**	**312,785**
CAPITAL BOND PROJECTS FUND		**REVENUES**	-	
		EXPENDITURES	**(150,000)**	**(312,785)**
		CASH/INVESTMENTS BALANCE		**95,693**

MONTHLY BUDGET ANALYSIS	Description	2012 Budget	YTD 8/31/2012
2009 BOND DEBT SERVICE FUND - 450			
450-361-11-00	Investment interest		8
450-397-10-00	Transfers in from Operating Fund 401	295,500	
	Transfers in from Bond Capital Projects Fund 430	150,000	150,000
	TOTAL REVENUES	**445,500**	**150,000**
450-535-10-41	Bond Admin Fee		
450-591-38-83	Bond Interest payments	225,500	112,750
450-591-38-72	Redemption of Long Term Debt	220,000	
	TOTAL EXPENDITURES	**445,500**	**112,750**
2009 BOND DEBT SERVICE FUND	**REVENUES**	**445,500**	**150,000**
	EXPENDITURES	**(445,500)**	**(112,750)**
	CASH/INVESTMENTS BALANCE		**37,270**

MONTHLY BUDGET ANALYSIS	Description	2012 Budget	YTD 8/31/2012
2009 BOND RESERVE FUND (RESTRICTED) - 460			
460-361-11-00	Investment interest	500	3,369
	TOTAL REVENUES	**500**	**3,369**
	TOTAL EXPENDITURES	-	
2009 BOND RESERVE FUND	**REVENUES**	**500**	**3,369**
	EXPENDITURES	-	-
	CASH/INVESTMENTS BALANCE		**501,181**

MONTHLY BUDGET ANALYSIS	Description	2012 Budget	YTD 8/31/2012
WATER LOANS DEBT SERVICE FUND - 470			
470-361-11-10	Investment interest	-	
470-397-10-00	Transfers In from Operating Fund 401	92,500	
	TOTAL REVENUES	**92,500**	**-**
470-591-38-79	Redemption of Long Term Debt	74,542	56,192
470-592-34-83	Debt Service Interest Loan 44	6,365	
470-592-34-83	Debt Service Interest Loan 119	894	894
470-592-34-83	Debt Service Interest Loan 064	10,395	10,395
	TOTAL EXPENDITURES	**92,216**	**67,481**
WATER LOANS DEBT SERVICE FUND	**REVENUES**	**92,500**	**-**
	EXPENDITURES	**(92,216)**	**(67,481)**
	CASH/INVESTMENTS BALANCE		**107**

MONTHLY BUDGET ANALYSIS	Description	2012 Budget	YTD 8/31/2012
ULID 18 LOAN DEBT SERVICE FUND (RESTRICTED) - 480			
480-361-11-10	Investment interest	5,000	38,915
480-361-50-00	ULID 18 Interest/Penalties	45,000	37,968
480-379-10-30	Latecomers Fee	3,000	5,446
480-156-40-00	Current ULID 18 Principal Payments	60,000	48,981
480-397-10-00	Transfers In from Operating Fund 401 (repayment)	113,335	
	TOTAL REVENUES	**226,335**	**131,310**
480-535-10-49	Sewer Debt Service Charges Misc	400	864
480-591-35-79	Redemption of Long Term Debt	239,302	186,218
480-592-35-83	Debt Service Interest Loan 44A	6,399	3,280
480-592-35-83	Debt Service Interest Loan 44B	58,228	28,612
480-592-35-83	Debt Service Interest Loan 063	7,277	7,276
480-597-10-00	Transfers Out		
	TOTAL EXPENDITURES	**311,606**	**226,250**
ULID 18 LOAN DEBT SERVICE	**REVENUES**	**226,335**	**131,310**
	EXPENDITURES	**(311,606)**	**(226,250)**
	CASH/INVESTMENTS BALANCE		**3,773,059**

MONTHLY BUDGET ANALYSIS	Description	2012 Budget	YTD 8/31/2012
ULID 18 LOAN RESERVE FUND (RESTRICTED) - 490			
490-361-11-10	Investment interest		1,171
	TOTAL REVENUES		1,171
490-535-10-49	Misc charges		5
	TOTAL EXPENDITURES		5
ULID 18 LOAN RESERVE FUND	**REVENUES**		1,171
	EXPENDITURES		5
	CASH/INVESTMENTS BALANCE		178,201

LAKE WHATCOM WATER AND SEWER DISTRICT

AGENDA BILL

DATE SUBMITTED:	September 5, 2012		
TO BOARD OF COMMISSIONERS			
FROM: Bill Hunter and Staff	MANAGER APPROVAL		
MEETING AGENDA DATE:	September 12, 2012		
AGENDA ITEM NUMBER:	5.C.		
SUBJECT:	Summary of Existing District Projects		
LIST DOCUMENTS PROVIDED ⇨ NUMBER OF PAGES INCLUDING AGENDA BILL: _____	1. September 2012 Summary of Existing District Projects		
	2.		
	3.		
TYPE OF ACTION REQUESTED	RESOLUTION ☐	FORMAL ACTION/ MOTION ☐	INFORMATIONAL/ OTHER ☒

BACKGROUND / EXPLANATION OF IMPACT
Information only

FISCAL IMPACT
n/a

RECOMMENDED BOARD ACTION
Review and discuss

PROPOSED MOTION
n/a

LAKE WHATCOM WATER AND SEWER DISTRICT
Summary of Existing District Projects

Meeting Date	Effective Date	Prepared by
September 12, 2012	September 6, 2012	LE/BH

	Status of Water and Sewer Permit Issuance		
SCOPE	Provide a monthly update on permit activity.		
STATUS		Permits Issued 2012	Permits Issued 2011
	No of permits issued	6	11
	No of permits projected 2012	5	

Developer Extension Agreements

D0534	Polly's Plat – Butch Kvamme		
SCOPE	Water and sewer improvements for 11 water and sewer connections. Water system to be looped per Wilson memo dated 10/12/2005 (see project file Wilson memo)		
SIGN DATE	March 30, 2011	EXPIRATION DATE	February 27, 2014

Prior to Commencing Construction	Prior to Final Acceptance
☒ 1. District Engineer approves design	☐ 1. District inspects & approves facilities as complete.
☒ 2. Reimbursement of District Engineer review costs	☐ 2. Record drawings
☒ 3. Copy of insurance policy	☐ 3. Easements and title insurance
☒ 4. Pay guarantee deposit	☐ 4. Maintenance Bond
☐ 5. Copies of recorded easement	☐ 5. Bill of Sale
☒ 6. Copies of permits	☐ 6. Latecomers Fees
☒ 7. Pay conformance deposit	☐ 7. Supplemental, processing, or administrative fees
☒ 8. Payment and performance bond	☐ 8. Deliver water meters to District
☒ 9. Pay 25% general facilities fees	
☒ 10. Pays initial facilities inspection deposit	
☒ 11. District issue Notice to Proceed w/Construction	

Tasks/Notes:

- 12/27/07 Board approved DEA time extension using new DEA template with 3 year term. Bill to prepare and send new DEA to developer for signature.
- Sent new DEA to Doug Campbell 1/10/07
- New 3-year DEA signed by District on 2/27/2008
- Received drawings for review.
- Transmitted drawings to Wilson on 2/21/2008 to check that plans meet District standards.
- Transmitted review comments to Doug Campbell 4/1/08.
- Plans received 5/23/08. Forwarded to Wilson Engineering 6/3/08 for plan review.
- District approved plans 7/9/08.
- Received request for time extension 12/22/10. Notified developer renewal fee is required.
- District approved three year DEA time extension at the 1/12/2011 Board meeting.
- Staff sent new agreement form to Developer for Execution on 2/22/2011.
- New agreement form executed 3/30/2011
- Met with Doug Campbell on 11/21/2011. Developer will be requesting design changes. District will review request when received.
- Transmitted review comments to Doug Campbell 2/1/2012
- Received Drawings from Doug Campbell on 3/20/2012. Forwarded to Wilson for review on 3/21/2012
- Received drawings from Doug Campbell on 4/4/12. Forwarded to Wilson for review on 4/5/12.
- No further review comments. Notified Doug Campbell to submit originals to be stamped "APPROVED" by the District on 4/11/12.
- Sent checklist letter to obtain Notice to Proceed and account summary to Doug Campbell 7/12/2012
- Notice to Proceed with Construction given to developer at pre-construction meeting on 8/14/2012

Completed Capital Projects in 2012	
C1105	Operations Building Remodel Construction
C1201	Procure tool truck
C1202	Sudden Valley WTP and Division 30 Booster Pump Pipe Coatings
C1215	Water Service Rebuilds

Completed DEAs in 2012	
D0219	North Shore Estates – Cancelled; City bought property

State Required Report Status

Report Title	Due	Preparation	Due Date	Last Date Submitted
Chlorination Report (Agate Heights)	Monthly	Kevin	Postmarked 10th of month	July 10, 2012
Community Right to Know (Hazardous Materials)	Annually	Bill and Rich	March 2013	January 6, 2012
Consumer Confidence Reports	Annually	Kevin	July	• Geneva – 5/12 • Sudden Valley 5/12 • Eagleridge – 5/12 • Agate Heights – 5/12
CPR/First Aid Training	Biennially	Rich	Nov/Dec 2012	Completed 11/29/10
Department of Revenue	Monthly	Debi	End of following month	August 2, 2012
Flagging Card Training	Triennially	Rich	8/11/13	8/11/10
Hazardous Waste Activity Report	Annual	Rich	Annual 3/31	February 27, 2012
Labor & Industries Payroll Report	Quarterly	Norma	Quarterly	July 2012
OSHA 300 Log	Annually	Rich	February 2013	January 30, 2012
Surface Water Treatment Rule Report (Sudden Valley WTP)	Monthly	Kevin	Postmarked 10th of month	July, 2012
Unemployment Report	Quarterly	Norma	Quarterly	July, 2012
WA State Cross Connection Report	Annual	Rich	Annual	May 16, 2012
Washington State Financial Report	Annual	Debi	May 29	April, 2012
Water Use Efficiency Perform Report	Annual	Kevin	July 1	March 8, 2011

2011 SAFETY PROGRAM SUMMARY (Completed by Rich Munson)

Annual Safety Training

Beginning in January of 2012 staff has been participating in a local government on-line training system. Each employee is assigned with an individual training course that is relevant to their position. The courses contain check points, quizzes and tests to ensure the training was completed and understood by the employee. Learners can track their progress through the assigned courses and manage their training with their workload.

Weekly Crew Safety Meetings

Safety meetings for the field crew take place every Tuesday at 7:00 a.m.

Dates of Safety Committee Meetings

January 10, 2012 - Complete	July 10, 2012 - Complete
February 7, 2012 - Complete	August 7, 2012 - Complete
March 10, 2012 - Complete	September 12, 2012
April 10, 2012 - Complete	October 9, 2012
May 8, 2012 -	November 13, 2012
June 12, 2012 - Complete	December 11, 2012

Summary Of Work-Related Injuries & Illnesses (2011)

Total Number of Work Related Injuries	5
Total Number of Days of Job Transfer or Restriction	0
Total Number of Days Away From Work	0

Summary Of Work-Related Injuries & Illnesses (2012)	
Total Number of Work Related Injuries	7
Total Number of Days of Job Transfer or Restriction/Light Duty	15 days as of 8/1/12
Total Number of Days Away From Work	4

Lake Whatcom Water & Sewer District

Capital Improvement Projects Staff Report

C0911 SVWTP Control System & Telemetry

Replace in-plant control system and telemetry system

C0911-ENG Project Administration

C0911-PH1 Design thru Bidding - Tetra Tech

10/6/2009	Engineering agreement amendment approved by Board on 10/13/2010. Amendment has been executed. Design kick-off meeting with District staff/crew tentatively scheduled for 11/9/2010.
9/2/2010	District working with Tetra Tech to develop scope/fee. A draft scope/fee will be presented to Board for approval.
10/6/2010	Professional services agreement amendment for design through bidding is on 10/13/2010 Board agenda for review/approval.
11/4/2010	Engineering agreement amendment approved by Board on 10/13/2010. Amendment has been executed. Design kick-off meeting with District staff/crew tentatively scheduled for 11/9/2010.
12/2/2010	Tetra Tech working on control system design following kick-off meeting with District staff/crew.
1/31/2011	Received 95% drawings and specs from Tetra Tech for District review. Planning to advertise for bids mid-February 2011.
4/4/2011	Advertise
4/5/2011	Re-bid advertisement published in Bellingham Herald on 4/7/2011. Pre-bid meeting 10am 4/19/2011, Bid Opening 2pm 4/28/2011. Tentative contract award at 5/11/2011 Board meeting.
4/19/2011	Pre-Bid Meeting 10am
4/28/2011	2nd re-bid opening. One bid received.
4/28/2011	Bid Opening 2pm
5/11/2011	Award

C0911-PH2 Constr Admin, Programming - Tetra Tech

6/1/2011	Staff reviewing proposal from Tetra Tech for services during construction and programming. Proposal will be tentativey presented to Board at 6/29/11 meeting.
6/29/2011	Board authorized scope of work and fee. Staff will execute agreement amendment.
10/4/2011	Staff working with Tetra Tech on PLC programming control descriptions. Programming meeting held 10/6/11 to finalize control strategy.
11/2/2011	Tetra Tech developing PLC and SCADA programs.
11/22/2011	Staff met with Tetra Tech and Contractor to witness factory test of controls and coordinate installation. Staff then met with Tetra Tech to review program logic.
1/4/2012	Tetra Tech working with contractor and staff to develop and implement controls programming.
7/25/2012	Staff and Tetra Tech waiting to make final PLC operational changes and program updates after summer peak demand (sometime early fall).

C0911-CON Construction Contract - Technical Systems Inc

6/1/2011	Contractor preparing bonds, insurance and contract forms.
7/12/2011	Notice to Proceed (180 day contract)
7/12/2011	Notice to Proceed was given to Technical Systems, Inc. A pre-construction meeting was held 7/12/2011. Substantial completion is 1/7/2012.
8/3/2011	District accepts contractors construction schedule. Installation of panels set for 11/9/2011.
12/7/2011	Contractor began installation of new controls on 11/28/2011. Installation is about 90% complete as of 12/7/2011. Contractor continuing installation of wiring for chart recordor and orther minor work.
1/4/2012	Contractor installing remaining components week of 1/2/2012. Work very close to done. Staff and consultant will be developing punch list in the next week or two.
1/7/2012	Substantial Completion
2/6/2012	Final Completion (30 days after Substantial Completion)
3/6/2012	Contractor installing remaining equipment on punch list 3/7/2012.
5/31/2012	Contractor provided training to District staff on new equipment. Tetra Tech reviewing O&M manuals submitted by Contractor.
7/3/2012	All work appears complete. Tetra Tech reviewing contract requirements and will be issueing a recommendation to close out the project.

7/25/2012 Board accepts project as complete. Staff closing out construction contract.

C1006 Sewer Emergency Response Equipment (2)

Replace stationary generator at Agate Bay, install portable generator receptacles at Edgewood and Rock Ridge, install float in low MH along LWB near Strawberry Point, upgrade Country Club impellers, and restore Old Flat Car Pump Station.

C1006-ADM Project Administration

11/4/2010 Shoreline exemption application paperwork completed. Staff scheduling appointment with County for application submittal.

4/5/2011 Staff working on shoreline exemption application for tentative submittal to County April 2011.

5/3/2011 Shoreline exemption application paperwork completed. Staff scheduling appointment with County for application submittal.

5/9/2011 Staff submitted shoreline exemption permit application to county.

8/3/2011 Staff finalizing generator sizing prior to submitting for building permit for slab.

9/7/2011 Staff obtainig quotes from contractors to install generator plugs and manual transfer switches at Rocky Ridge and Edgeway Sewer Pump Stations.

9/7/2011 60KW generator sized for current and future pump station improvements. Staff gathering weight/dimensions for Wilson to perform structural design. Will have Wilson assist preparation of Whatcom County permit application forms.

10/11/2011 Notice To Proceed signed by Riteway Electric. 60 Day contract.

11/2/2011 Whatcom County building permit for Agate Bay generator slab pending any day. Quotes were solicited from contractors for work. Low bid was selected, contract ready to execute as soon as permits released. Generator has been ordered.

12/7/2011 Agate Bay Generator. Contractor began installation of generator slab, removal of old above ground diesel fuel tank and underground generator. Pad was poured 11/30/2011. As of 12/7/2011, pad ready to receive generator as soon as it arrives.

1/3/2012 Agate Bay Generator has been installed on new concrete slab.

2/15/2012 Riteway Electric completed installation of generator plugs and manual transfer switches at Rock Ridge and Edgewater Sewer Pump Stations.

3/6/2012 Electrical permits and materials to wire new generator and transfer switch have been obtained. District crews to make wiring connection in next week or so. Startup with supply to be scheduled soon after.

5/3/2012 District crews almost finished with transfer switch wiring.

5/29/2012 Agate Bay generator startup completed by supplier. Training provided to District crew. Generator and automatic transfer switch online. Tetra Tech will update PLC and telemetry to include new generator alarms next time they are here.

7/3/2012 Staff and Tetra Tech working together to implement telemetry to monitor generator status.

9/6/2012 Float in low MH along LWB near Strawberry Point installed. Crew scheduling Tetra Tech to make PLC programming changes at Strawberry Point PS and SCADA for new alarm.

C1104 SVWTP Replace Generator Transfer Switch

Replace plant auto transfer switch, add receptacle and manual switch for option of running plant from portable generator, and add switch to select emergency power source for Afternoon Beach Pump Station.

C1104-ENG Project Administration & Engineering - Tetra Tech Task Order

7/13/2011 Staff met with Tetra Tech onsite to discuss project options and engineering scope.

8/10/2011 Received draft scope/fee from Tetra Tech. Staff reviewing prior to presenting to Board for authorization.

11/2/2011 Staff considering to include this project with installation larger generator at SVWTP. The generator pre-design effort in 2012 will look at all the option for instllation of a larger generator and associated equipment (i.e. transfer switch).

C1104-CON Construction Conract

C1106 LWB and Cable FM Sonar Planning

Lake Whatcom Boulevard and Cable Sewer Force Mains. Review force main alignments and access points to plan future sonar assessment of internal pipe. Determine logistics and access point installations required to perform sonar scan.

C1106-ADM Force Main Inspection / Cleaning Investigation - Wilson

8/1/2011 Received preliminary task order from Wilson. Staff reviewing.

8/11/2011 Authorize Task Order

8/11/2011 Task order executed. Wilson proceeding with research and planning.

9/20/2011 Present/Discuss Alternatives with District

9/30/2011 Deliver final Technical Memo to District

5/2/2012 District staff working with Wilson to complete planning report.

7/3/2012 Received draft study from Wilson. Staff reviewing document.

C1110 SVWTP Asphalt Driveway Repair

Repair asphalt driveway in front of Sudden Valley Water Treatment Plant.

C1110-ADM Project Administration

9/6/2012 Staff obtaining quotes for asphalt repairs. Staff confirmed with Whatcom County no permits are requires for asphalt maintenance less than 5000SF. Staff coordinating with SVCA for encroachment permit.

C1112 Beaver, Flat Car, SV Station Elec Study

The purpose of this project is to provide an electrical coordination study of the Beaver, Flatcar, and Sudden Valley Pump Stations. The focus of the study will be an overcurrent protective device (circuit breakers and fuses) coordination study. This study will determine if the existing configuration of the overcurrent devices will clear (trip or blow) in the proper sequence (the first device upstream of the fault clears before other devices upstream) to protect the equipment and limit the loss of electrical service to the rest of the pump station.

C1112-ADM Project Administration & Engineering - Tetra Tech Task Order

3/3/2011 Board authorized Tetra Tech scope/fee to begin work.

4/27/2011 Staff sent notice to proceed to Tetra Tech. District crew nearly finished gathering electrical field data for study.

5/3/2011 Staff sent electrical field data to Tetra Tech.

6/1/2011 Tetra Tech working on study. Draft document nearing completion for District review.

1/31/2012 Received final study from Tetra Tech. Staff reviewing. Report summary will be presented at future Board meeting.

3/6/2012 Staff reviewed draft report. Tetra Tech addressing few minor District comments and will deliver final report.

8/1/2012 Final report is done and is in the mail from Tetra Tech. Staff will make breaker adjustments per report recommendations.

C1203 Replace Water Meter Data Collectors

Replace handheld water meter data collectors used for radio reading meters

C1203-ADM Project Administration

7/3/2012 Staff researching meter reading equipment options.

C1204 Reservor Inspection & Maintenance

Interior inspection and maintenance of reservoirs and water treatment plant intake.

C1204-ADM Project Administration

C1204-CON Construction Contract

4/9/2012 Advertisement for Bids - Small Works Roster Email Notificaiton

5/1/2012 Bid Opening - 11:05am.

5/9/2012 Award Contract to H2O Solutions.

6/6/2012 Staff working with contractor to execute contract. Pre-construction meeting scheduled for 6/7/2012.

7/3/2012 Contract executed. Contractor to begin inspections and cleaning on 7/9/2012.

7/12/2012 Contractor completed cleaning and inspections at reservoirs and intake. Contractor to return 8/6/2012 for a couple days of misc. reservoir maintenance work.

8/7/2012 Contract complete. Contractor completed misc repairs at reservoirs. They also assisted with structural engineer's inspections at Geneva and Division 7 reservoirs.

C1205 Annual CMOM Sewer I&I Repairs

Annual project to reduce sewer main and manhole inflow and infiltration.

C1205-ADM Project Administration

C1205-CON Construction Contract

4/10/2012 Advertisement for Bids - Small Works Contractors Email Notification

4/12/2012 Advertisement for Bids - Published in Bellingham Herald

4/17/2012 Mandatory Pre-Bid Meeting - 2:00pm.

5/1/2012 Bid Opening - 10:05am.

5/9/2012 Award Contract to Olson Brothers Pro-Vac, LLC.

5/29/2012 Pre-Construction Meeting. Notice to Proceed given. Contractor begins work on manhole repairs.

6/12/2012 Pre-Construction meeting specifically for smoke testing. Police, fire, County emergency management all attending. Smoke testing scheduled for July and August.

7/3/2012 Contractor began smoke testing portions of Geneva 6/19/2012 through 6/22/2012. Contractor will resume smoke testing 7/9/2012.

7/26/2012 Contract completed smoke testing. Contractor will return begining of August to repair 15 +/- additional manholes using remaining contract budget.

C1206 Agate WTP Restroom

Add restroom at Agate Water Treatment Plant.

C1206-ENG Project Administration and Engineering

3/28/2012 Task Order executed with Wilson Engineering to assist in permitting, plans, and structural design.

5/2/2012 Wilson preparing conditional use permit revision application for submittal to County.

6/6/2012 Wilson working with County on conditional use permit revision.

7/3/2012 Staff and Wilson working with County to complete project permitting.

8/1/2012 Permitting almost complete at County.

9/6/2012 Still waiting for County to issue permit.

C1206-CON Construction Contract

C1207 Reservoir Overflow Drains to Daylight

Route reservoir overflow drains to daylight.

C1207-ENG Project Administration and Engineering

C1207-CON Construction Contract

C1208 Lowell & Oriental PRV's

Install pressure reducing valve stations at Lowell and Oriental near Lakeway to create a new pressure zone.

C1208-ENG Project Administration and Engineering

2/24/2012 Wilson Task Order executed 2/24/2012. Wilson started topographic survey work, plans, and specifications for construction contract documents.

4/16/2012 Wilson completes design and construction documents for bidding.

C1208-CON Construction Contract

4/16/2012 Advertisement for Bids - Published in Bellingham Herald

4/24/2012	Non-mandatory Pre-Bid Meeting - 10:00am
5/2/2012	Bid Opening - 2:05pm
5/9/2012	Award Contract to Dirt Works Bellingham, Inc.
5/31/2012	Pre-Construction meeting held. Notice to Proceed will be given to contractor mid-June.
6/18/2012	Notice to Proceed (90 day contract)
7/25/2012	Oriental PRV put into service. Contractor moving on to install Lowell PRV.
9/16/2012	Substantial Completion
10/16/2012	Final Completion (30 days after Substantial Completion)

C1209 SVWTP Raw Water Motor

Purchase and install new raw motor. Inspect and refurbish old motor for spare.

C1209-ADM Project Administration

C1210 SVWTP Generator Replacement Pre-Design

Pre-design study to look at generator replacement alternatives, permit requirements, and construction cost estimates.

C1210-ENG Project Administration and Engineering

C1211 Wet Well Pressure Transmitters

Install pressure transmitters at sewer pump station to monitor liquid level in wet wells.

C1211-ADM Project Administration

7/3/2012	Staff preparing materials list for each site.
8/1/2012	Staff obtaining quotes for 15 pressure transducers.
9/6/2012	Received transducers. Crews beginning installation. Staff will coordinate with Tetra Tech for PLC programming to incorporate new SCADA information and alarms.

C1212 Shop Pole Building Asphalt Apron

Install 2000 sf asphalt apron in front of shop pole building.

C1212-ADM Project Administration

7/24/2012	Staff measured and surveyed apron grades. Staff obtaining quotes for 2000 sf of asphalt.
9/6/2012	Staff issued PO to Granite. Granite onsite to fine grade. Asphalt to occur shortly after.

C1213 Replace Sewer Camera Equipment

Replace sewer camera equipment in sewer camera van.

C1213-ADM Project Administration

5/3/2012	Staff have been researching various manufacturers of sewer camera equipment. Equipment venders have been onsite for demos as well as providing budget quotes and equipment specifications. Budget quotes have been significantly more than what was budgeted in the 2012 CIP. Staff is preparing specifications for bid advertisement tentatively slated for mid-summer.
6/7/2012	Advertisement for Bids - Published in Bellingham Herald
6/21/2012	Bid Opening - 10:05am
7/3/2012	Staff reviewing bids and plan to make a recommendation at 7/25/2012 board meeting.
7/25/2012	TENTATIVE - Award Contract at Board meeting.
8/6/2012	After considering variations in bids, staff determine to re-bid using revised equipment performance specifications.
8/10/2012	Re-Advertisement for Bid Published in Bellinhgam Herald.
8/23/2012	Bid Opening. 4 bids were received. Staff reviewing bids and plan to make a recommendation to board

soon.

C1214 Dead End Blow Offs

Install blow offs at water main dead ends.

C1214-ADM Project Administration

C1214-CON Construction Contract

C1216 SVCA Polo Park Bridge Water Main

Relocate water main to accomodate new SVCA bridge.

C1216-CON Construction Contract

7/16/2012 Email Advertisement for Bids to MRSC Shared Small Works Roster Contractors

7/31/2012 Bid Opening 2:05pm

8/1/2012 Bid cancelled 7/26/2012. All plan holders were notified 7/27/2012 of cancellation. Cancellation was due to permitting delays on SVCA's project. Project now tentativley scheduled for Summer 2013.

C1216-ENG Project Administration and Engineering

6/4/2012 Staff reviewing Task Order scope received from Wilson 6/4/2012. SVCA hoping to get permits mid-July with construction starting in August.

6/21/2012 Site visit with staff and Wilson. District staff to install isolation valves in July prior to bridge construction.

C1217 Cathodic Corrosion Assessment

Perform cathodic corrosion assessment on steel reservoirs and tanks at District

C1217-ADM Project Administration

Corrpro performed onsite measurements on 8/9/2012 and 8/10/2012. They will develop a report documenting site condition, recommend type of cathodic protection system, and budget estimates for systems.

7/31/2012 Staff issued purchase order to Corrpro to perform cathodic corrosion assessment of District's 5 steel reservoirs. Corrpro site visit tentatively scheduled for 8/9/2012.

8/9/2012 Corrpro arrives onsite to begin reservoir electrical measurements. They finished collecting data 8/10/2012. They will develop a summary report with recommendations for cathodic protection system and budget cost estimates.

C1218 Annual Generator Load Test & Maint

Perform generator load tests and maintenance on all District generators.

C1218-ADM Project Administration

5/24/2012 District soliciting quotes from 3 local companies.

6/12/2012 Quotes due. Staff will review quotes and execute contract with lowest responsible bidder.

7/3/2012 Received one quote back. Quote was from Tri-County Diesel Marine. They have performed maintenance and loading on District generators the last several years. Staff and contractor executing a contract for work.

7/31/2012 Contract executed with Tri-County Deisel Marine. They are beginning work 7/31/2012.

9/6/2012 Tri-County done with load testing and mainatenance. They are compiling documentation of testing and maintenance work.

LAKE WHATCOM WATER AND SEWER DISTRICT

AGENDA BILL

DATE SUBMITTED:	September 6, 2012		
TO BOARD OF COMMISSIONERS			
FROM: Patrick Sorensen	MANAGER APPROVAL		
MEETING AGENDA DATE:	September 12, 2012		
AGENDA ITEM NUMBER:	5.D.		
SUBJECT:	Discussion-City of Bellingham Wastewater Treatment Contract		
LIST DOCUMENTS PROVIDED ⇨ NUMBER OF PAGES INCLUDING AGENDA BILL: _____	1. Slides from 8/29/2012 FCSG Presentation		
	2.		
	3.		
TYPE OF ACTION REQUESTED	RESOLUTION ☐	FORMAL ACTION/ MOTION ☐	INFORMATIONAL/ OTHER ☒

BACKGROUND / EXPLANATION OF IMPACT

At the August 29, 2012 meeting, FCSG gave a presentation entitled "Proposed Wholesale Rate Methodology for City of Bellingham and Lake Whatcom Water & Sewer District". The presentation included discussion regarding ongoing operations and maintenance costs and future capital improvement requirements. FCSG suggested three alternatives for the District to pay its portion of the capital costs associated with the upcoming wastewater treatment plant upgrade. The three options included: (1) Upfront buy-in, (2) Buy-in over time, and (3) Lease

We want to discuss FCSG's presentation and recommendations at the Board level. With Board input, staff can prepare a final draft contract based upon our earlier efforts this year in revising the contract agreement language.

FISCAL IMPACT

To be determined.

RECOMMENDED BOARD ACTION

This item is for discussion only at this time. The final draft agreement can be made available for the September 26, 2012 Board meeting.

PROPOSED MOTION

No motion proposed for this meeting.

Proposed Wholesale Rate Methodology for City of Bellingham and Lake Whatcom Water & Sewer District

Presented By:
Gordon Wilson, Project Manager
Chris Gonzalez, Project Consultant
August 29, 2012

Outline

- Introduction
  - Assumed Goals
  - Key Questions
- Recovery of Operation & Maintenance (O&M) Costs
- Recovery of Capital Costs
- Estimated Impact to District
- Issues with Current Methods
- Recommendations for Transition and Future Updates

Assumed Goals

City

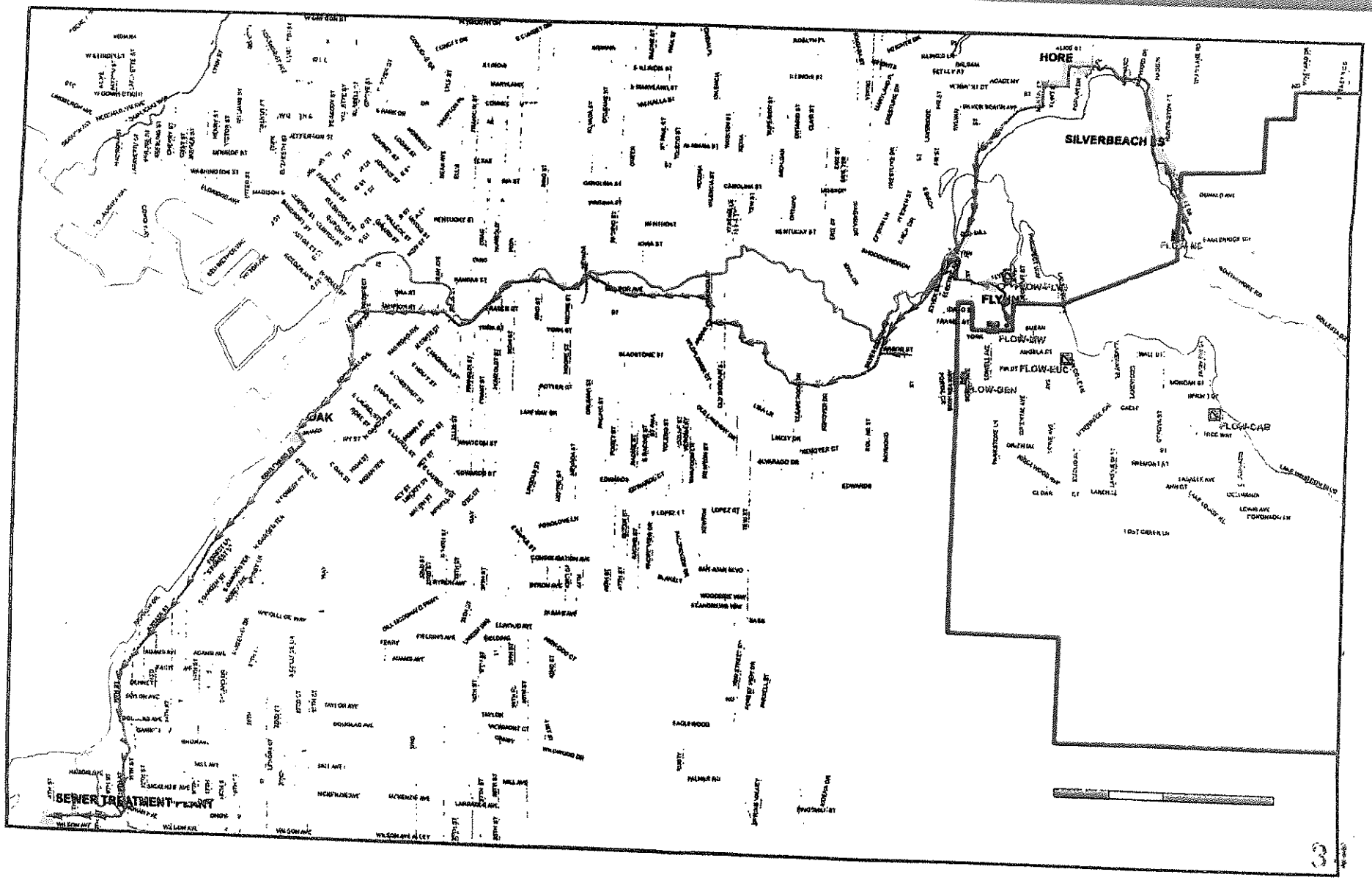
- Fair price, all costs accounted for
- Simplicity
- Automatic updating as CIP costs are incurred

District

- Minimum Price
- Simplicity
- Confidence in procedure for annual updates

Questions to Be Answered

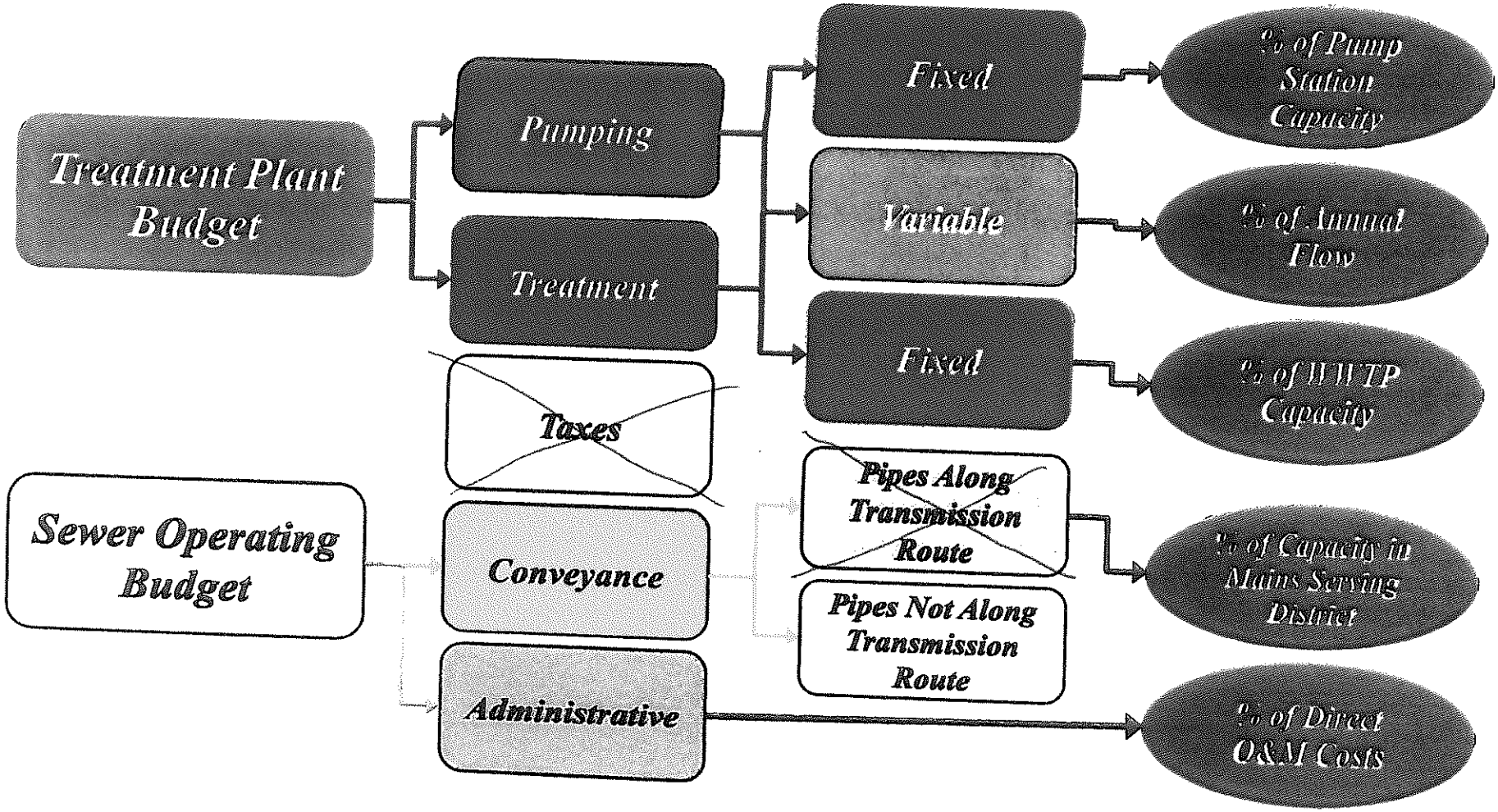
Questions	Notes
What are the relevant assets?	▪ Wastewater Treatment Plant ▪ 3 Lift Stations ▪ Transmission Mains from City Limit to Treatment Plant


SILVERBEACH LS
FLOW-MW
FLOW-EUC
FLOW-GEN
FLOW-CAB
SEWER TREATMENT PLANT

Questions to Be Answered

Questions	Notes
How much do these assets cost?	▪ O&M? ▪ Capital?
What is the District's share of these assets?	▪ Variable Costs: % of Flow ▪ Fixed Costs: % of Capacity
What are the main operating cost components?	▪ Pumping ▪ Treatment ▪ Conveyance ▪ Administrative/Indirect
How should capital costs be recovered?	▪ Lease ▪ Buy-in Up-front ▪ Buy-in Over Time

Proposed Method for O&M Cost Recovery



Recovery of O&M Costs

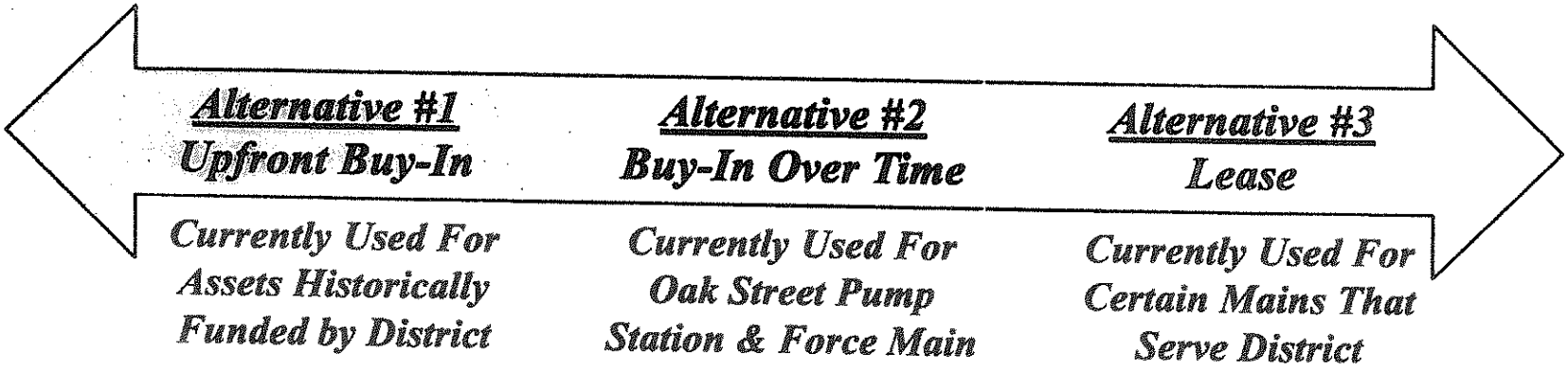
Component	Existing Method	Proposed Method
Pumping	▪ Based on separate analysis of O&M for Oak Street Pump Station ▪ District share based on annual flow at WWTP (≈ 6.8%)	▪ Based on separate analysis of O&M for all pump stations ▪ Variable O&M costs allocated to District based on annual flow at WWTP (≈ 6.8%) ▪ Fixed O&M costs allocated to District based on its share of total pump station capacity (≈ 4.2%)
Treatment	▪ Based on treatment plant budget, net of pumping costs ▪ District share based on annual flow at WWTP (≈ 6.8%)	▪ Based on treatment plant budget, net of pumping costs ▪ Variable O&M costs allocated to District based on annual flow at WWTP (≈ 6.8%) ▪ Fixed O&M costs allocated to District based on its share of capacity at WWTP (≈ 6.4%)

Recovery of O&M Costs (Continued)

Component	Existing Method	Proposed Method
Conveyance	▪ Based on 1% of original construction cost for mains that serve District (excluding mains funded by District) ▪ District share based its share of capacity in "chargeable" mains (aggregate: 6.6%)	▪ Sewer operating budget, net of taxes and administrative costs ▪ Net budget is allocated to mains based on LF (≈ 2.9% of total LF attributed to mains along transmission route) ▪ District pays for a share of these costs based on its share of capacity in mains along transmission route (≈ 13.1%)
Administrative	▪ Based on administrative and general expenses allocated to pumping and treatment ▪ District share of costs is based on its share of annual flows at the WWTP (≈ 6.8%)	▪ Administrative costs (excluding taxes) are divided by direct O&M to derive a % markup (≈ 3.0%) ▪ Markup applied to pumping, treatment, and conveyance costs allocated to District

Recovery of Capital Costs: Concepts

Options for Recovering Capital Costs:

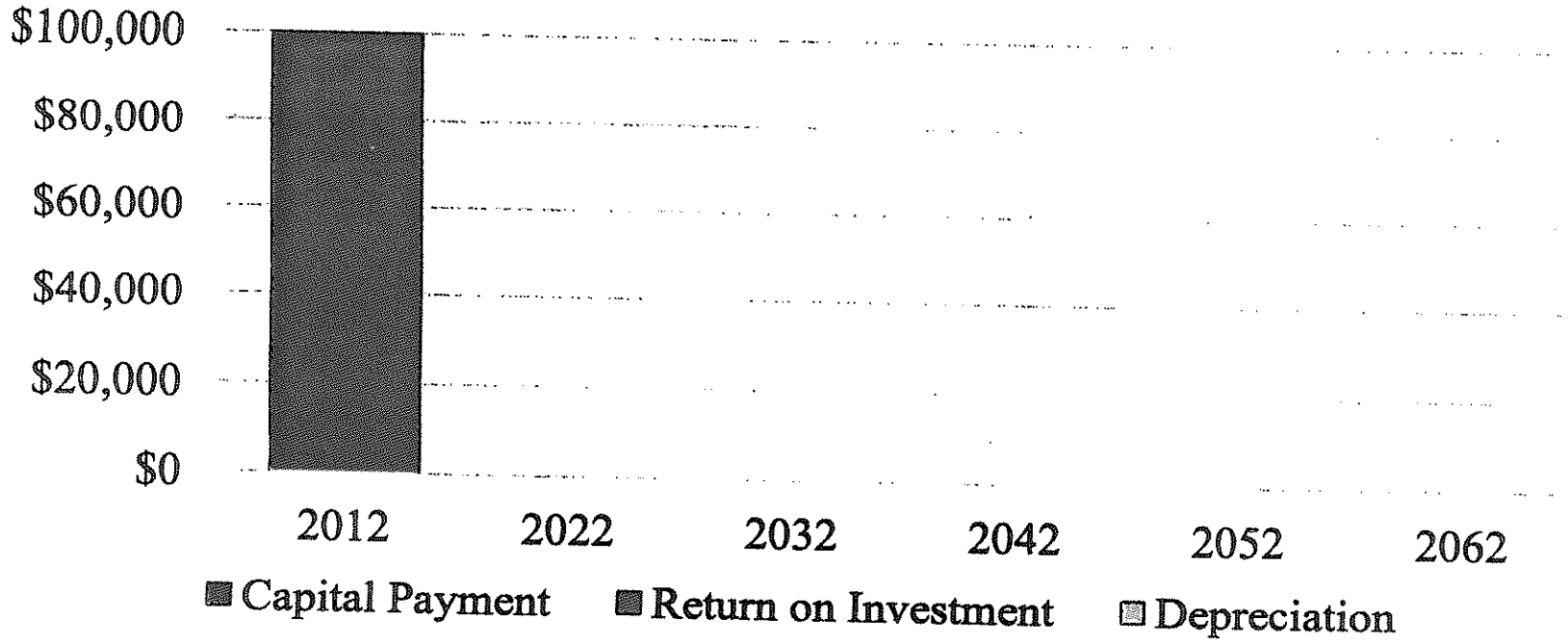


Recovery of Capital Costs: Concepts

- Hypothetical Example:
  - Asset placed in service December 31, 2011
  - District Share of Asset Cost: $100,000
  - Weighted Average Cost of Capital: 5%
  - Asset Useful Life: 50 Years
  - If buy-in charge is paid over time, assume 20-year amortization of loan

Alternative #1: Upfront Buy-In

Hypothetical Example: $100,000 Paid Upfront



District makes an upfront payment for its share of capital costs

No depreciation or return on investment

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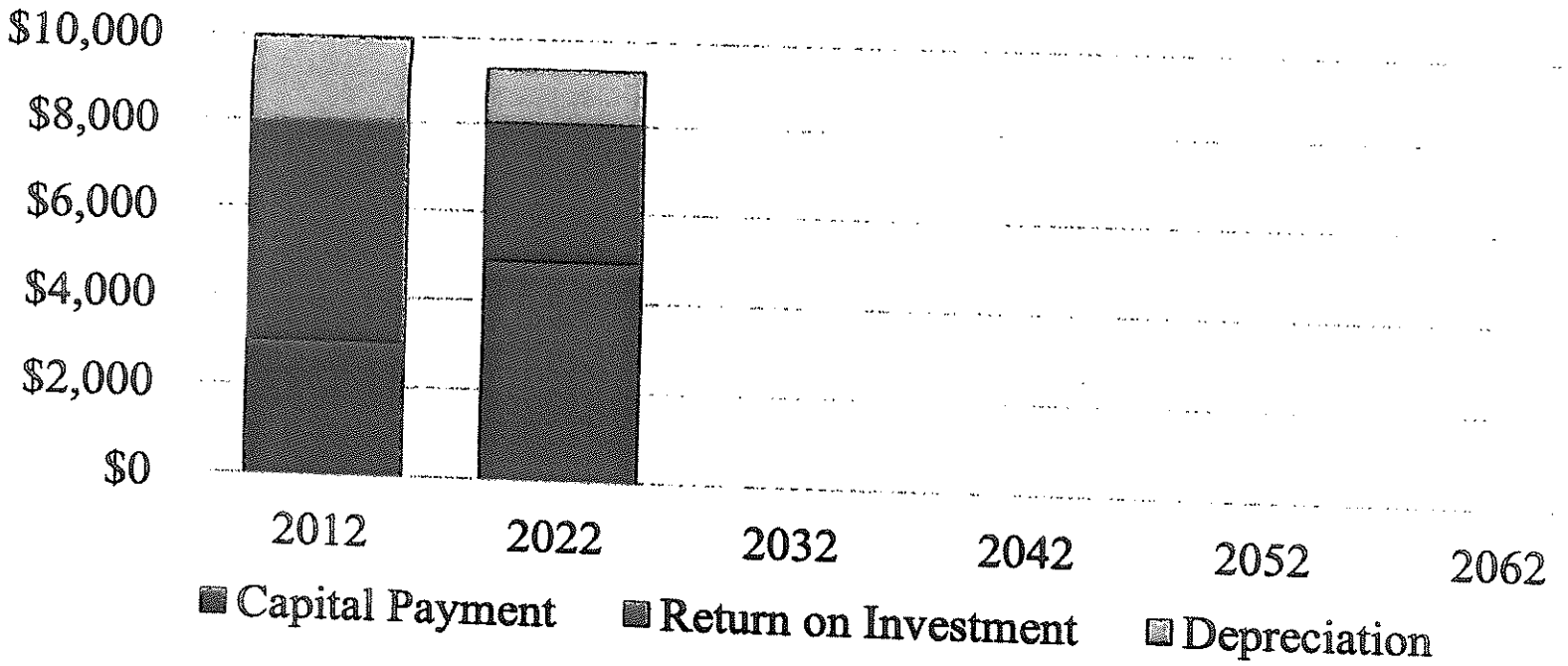
FCS GROUP
Solutions-Oriented Consulting

Alternative #2: Buy-In Over Time

Hypothetical Example: $100,000, 5%, 20-Year Loan



District share of capital costs (principal) is spread over 20 years

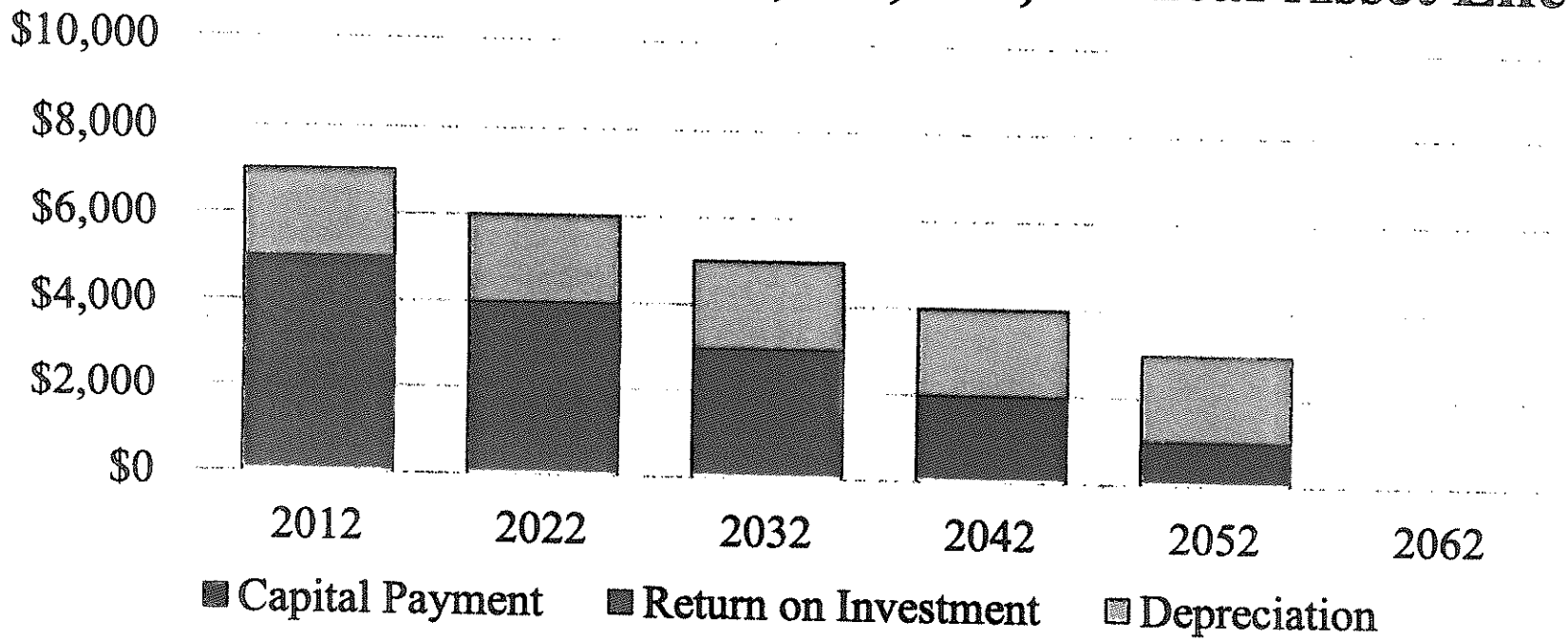
Return on investment (interest) is built into annual payments

Interest rate based on weighted average cost of capital (WACC)

Depreciation on share of capital costs not yet paid for

Alternative #3: Lease

Hypothetical Example: $100,000, 5%, 50-Year Asset Life



- Return on investment based on net depreciated value of asset ("rate base")
  - Calculated by applying the WACC to District's share of the rate base
  - Rate base = Original asset cost minus contributed capital and depreciation
- Annual depreciation over asset life based on District's share of cost

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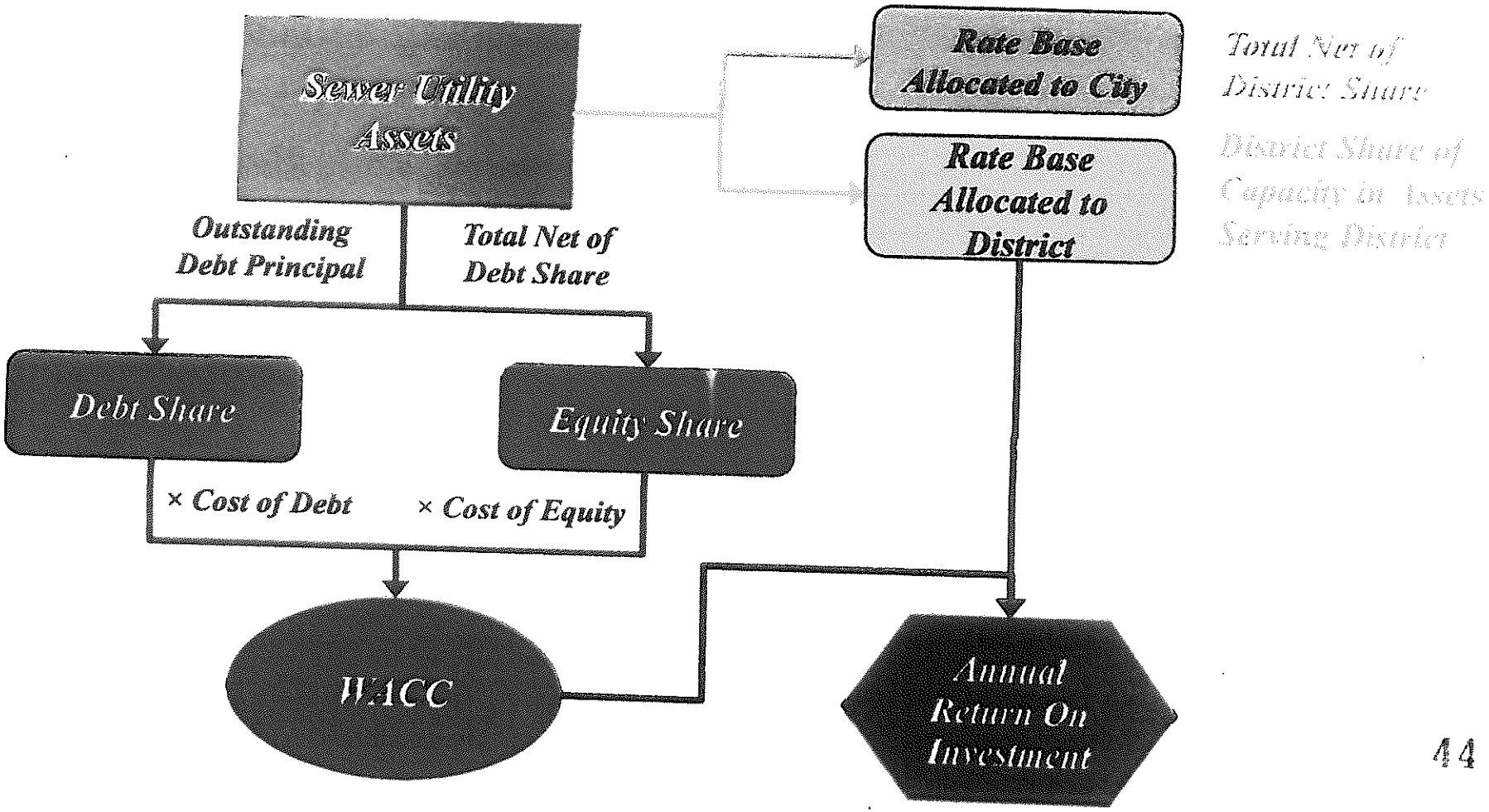
Weighted Average Cost of Capital (WACC)



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More About The WACC...

- The WACC is a broad-based measure of the cost of money, intended to be insensitive to specific financing decisions.
- The debt component, which currently represents about 58% of the asset base, is based on the average interest rate on outstanding debt principal (currently about 3.6%).
- The equity component (about 41% of the asset base) is based on:
  - The projected interest rate on future debt *(Bond Buyer Index)*
    - Estimated opportunity cost of investing City funds in assets
  - The "outside-City" multiplier of 1.5
    - Recognizes increased risk associated with serving outside-City customers
    - Consistent with City practice for other outside-City customers
    - Applies only to WACC calculation (not direct O&M and capital costs)
  - City equity percent: 6.75%. UTC target for private water utilities: 12%
- 10-year average projected WACC: 5.2%

Evaluation of Alternatives

Alternative	Pros to District	Cons to District
Alternative #1: Upfront Buy-In	▪ Lowest overall cost ▪ Greater control over financing terms	▪ Greatest up-front payment ▪ Potential for large "spikes" in payments when assets are added
Alternative #2: Buy-In Over Time	▪ More level annual payments ▪ Payments end when District pays for its share of costs	▪ Higher cost over time ▪ Potential for significant changes to annual payments when capital payments begin/end for specific assets
Alternative #3: Lease	▪ Lowest up-front payments ▪ More stable long-term payments that are less sensitive to new asset additions	▪ Highest cost over time

Summary of Projected Impacts

Alternative #1: Upfront Buy-In	2013	2014	2015	2016	2017	2018
O&M	$ 527,757	$ 545,188	$ 557,702	$ 573,370	$ 590,293	$ 608,173
Capital	1,129,670	3,499,266	-	-	-	-
Total	$ 1,657,427	$ 4,044,454	$ 557,702	$ 573,370	$ 590,293	$ 608,173

Alternative #2: Buy-In Over Time	2013	2014	2015	2016	2017	2018
O&M	$ 527,757	$ 545,188	$ 557,702	$ 573,370	$ 590,293	$ 608,173
Capital	122,787	407,136	470,955	467,351	463,642	459,623
Total	$ 650,544	$ 952,324	$ 1,028,657	$ 1,040,721	$ 1,053,935	$ 1,067,796

Alternative #3: Lease	2013	2014	2015	2016	2017	2018
O&M	$ 527,757	$ 545,188	$ 557,702	$ 573,370	$ 590,293	$ 608,173
Capital	81,705	262,151	326,307	321,170	316,105	327,314
Total	$ 609,462	$ 807,339	$ 884,009	$ 894,540	$ 906,398	$ 935,487

Estimated District Payments per City's 2012 Budget: $800,000

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Issues With Current Cost Recovery

- There is inconsistency in how the District is allocated capital costs for different facilities. The current methodology blends the "upfront buy-in," "buy-in over time," and "lease" options.
- Separate contract amendments are needed to add new capital facilities to the cost basis for the District's rates (there is no automatic update)
- There are inequities in the current structure, mostly in the District's favor:
  - Depreciation is not charged on the share of costs not yet paid for
  - Interest rate used in amortization is too low, reflecting only the cost of City debt without considering an appropriate return on equity
  - Treatment plant capital costs are allocated based on annual flow, rather than on % of flow and % of capacity (this difference currently favors the City)
  - Cost basis has not included asset additions since 1993
  - City utility tax is excluded from O&M cost recovery

The proposed methodology addresses all of these inequities except the utility tax. Due to historical precedent, that is assumed to continue as-is.

Recommendations: Capital Cost Recovery

- Convert cost recovery for existing assets to a single method:
  - We assume that the City is flexible about which method is chosen, as all are reasonable
  - Should focus on future payments without recapture of past amounts; past payments were valid under past agreements
  - Previously unrecognized assets should be added based on net depreciated value
- For future updates:
  - Update automatically to include all applicable new assets once they have been capitalized
  - Review WACC periodically (e.g. every five years)

Questions/Discussion

LAKE WHATCOM WATER AND SEWER DISTRICT

AGENDA BILL

DATE SUBMITTED:	September 5, 2012		
TO BOARD OF COMMISSIONERS			
FROM: Patrick Sorensen	MANAGER APPROVAL		
MEETING AGENDA DATE:	September 12, 2012		
AGENDA ITEM NUMBER:	7		
SUBJECT:	Manager's Report		
LIST DOCUMENTS PROVIDED ⇨ NUMBER OF PAGES INCLUDING AGENDA BILL: _____	1. Manager's Report		
	2.		
	3.		
TYPE OF ACTION REQUESTED	RESOLUTION ☐	FORMAL ACTION/ MOTION ☐	INFORMATIONAL/ OTHER ☒

BACKGROUND / EXPLANATION OF IMPACT

Updated information from the General Manager in advance of the Board meeting.

FISCAL IMPACT

None

RECOMMENDED BOARD ACTION

None required.

PROPOSED MOTION

None

General Manager Comments

September 12, 2012

Important Upcoming Meetings:

- Meetings Associated with the Lake Whatcom Management Program:
  - Policy Group Meeting: The next meeting is scheduled for September 10, 2012. The agenda was recently sent out to each Board member by the City. If you did not receive this agenda, and would like a copy, please contact me. All Policy Group Meetings are publicly noticed by the District.
  - Management Meetings: There is no meeting scheduled at this time.
- Next Regular Board Meeting: Wednesday, **September 26, 2012** at **8:00 a.m.**
- Next Employee Staff Meeting: Thursday, **September 13, 2012 at 8:00 a.m.** in the Board Room. Commissioner Mc Roberts is scheduled to attend. Scheduling is rotated by alphabetical order each month.
- Washington Association of Sewer & Water Districts (WASWD) Section III Meeting: The next Section III meeting will be held at the WASWD Fall Conference in Spokane on Thursday, September 20, 2012 between 7:30 a.m. and 8:30 a.m. in the Davenport Hotel. The room location will be posted at the conference. All Section III Meetings are publicly noticed by the District.
- Next Employee Safety Committee Meeting: Wednesday, September 12, 2012 at 8:00 a.m. in the District Conference Room.