



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

REGULAR MEETING  
OF THE BOARD OF COMMISSIONERS

AGENDA

*July 31, 2013*

8:00 a.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. City of Bellingham Wastewater Treatment Contract and Wastewater Treatment Plant Project Update
  - B. Rate Study
6. OTHER BUSINESS
7. MANAGER'S REPORT
8. PUBLIC COMMENT OPPORTUNITY
9. ADJOURNMENT



LAKE WHATCOM WATER AND SEWER DISTRICT

AGENDA BILL

DATE SUBMITTED:	July 23, 2013		
TO BOARD OF COMMISSIONERS			
FROM: Patrick Sorensen	MANAGER APPROVAL <i>Patrick Sorensen</i>		
MEETING AGENDA DATE:	July 31, 2013		
AGENDA ITEM NUMBER:	5.A.		
SUBJECT:	City of Bellingham Wastewater Treatment Contract Update		
LIST DOCUMENTS PROVIDED ⇨ NUMBER OF PAGES INCLUDING AGENDA BILL: _____	1.		
	2.		
	3.		
TYPE OF ACTION REQUESTED	RESOLUTION <input type="checkbox"/>	FORMAL ACTION/ MOTION <input type="checkbox"/>	INFORMATIONAL/ OTHER <input checked="" type="checkbox"/>

**BACKGROUND / EXPLANATION OF IMPACT**

At your meeting an update will be provided regarding the status of the wastewater agreement with the COB. In addition the City's treatment plant project engineer (Freeman Anthony) will provide a brief update on the project. Eric Johnston, Assistant Public Works Director over operations with the City will also be in attendance. Both he and Melanie Mankamyer will lead a discussion regarding our contract negotiations and will also be providing an update. A similar presentation will be made before the City Council at 9:00 a.m. on August 5<sup>th</sup>. This discussion does not require an Executive Session.

**FISCAL IMPACT**

Not applicable at this time.

**RECOMMENDED BOARD ACTION**

Update only.

**PROPOSED MOTION**

None required at this time.



LAKE WHATCOM WATER AND SEWER DISTRICT  
AGENDA BILL

DATE SUBMITTED:	July 23, 2013		
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FROM: Patrick Sorensen	MANAGER APPROVAL		
MEETING AGENDA DATE:	July 31, 2013		
AGENDA ITEM NUMBER:	5.B.		
SUBJECT:	Rate Study		
LIST DOCUMENTS PROVIDED ⇒ NUMBER OF PAGES INCLUDING AGENDA BILL: _____	1. Exhibit A FCSG Rate Study Proposal		
	2. Exhibit B FCSG Rate Study Proposal		
	3.		
TYPE OF ACTION REQUESTED	RESOLUTION <input type="checkbox"/>	FORMAL ACTION/ MOTION <input type="checkbox"/>	INFORMATIONAL/ OTHER X

**BACKGROUND / EXPLANATION OF IMPACT**

Every few years the LWWSO performs a rate study which determines rate increases necessary to support capital and operating financial needs as well as affordability and predictability of future rate increase for rate payers. The District's last full rate study was in 2008. The 2013 budget called for a rate study however there has been additional tasks assigned which will increase the budgeted amount. These additional services call for a Rate Structure Analysis which in turn requires a Cost of Service Analysis. In short, the cost of service analysis is the precursor to restructuring the rates. It validates the underlying customer and usage data to ensure that the correct amount of revenue will be generated and it determines unit cost of service by system function. The last time a Cost of Service Analysis was completed was in 2003.

**FISCAL IMPACT**

Budget and expense increase of \$20,000 to 2013 Budget.

**RECOMMENDED BOARD ACTION**

Approve budget increase of \$20,000 to cover the additional services: Cost of Service Analysis and Rate Structure Evaluation.

**PROPOSED MOTION**

Approve budget increase of \$20,000 to cover the additional services: Cost of Service Analysis and Rate Structure Evaluation.

## Exhibit A

### Scope of Work and Task Plan

The following Scope of Work identifies the activities that FCS GROUP will perform for the District's water and sewer rate studies:

#### **Task 1: Data Collection/Validation**

Prepare an initial data request identifying financial, operational, capital planning, and customer data pertinent to the performance of the study. Review, analyze, and validate as necessary for use in formulating the technical analyses. Follow up with LWWSD staff as necessary for any additional items or clarifications.

#### **Task 2: Update Fiscal Policies**

Review current attainment of fiscal policies established in previous studies and update as necessary to promote continued financial health of the utilities. This will include evaluation of operating reserves, system reinvestment funding, debt coverage, and debt-to-equity ratios.

#### **Task 3: Update Capital Financial Plans**

Update the capital financing plans for each utility to incorporate the current 5 to 10-year capital improvement / replacement programs. Identify sources for funding the projects and develop alternative strategies including available cash reserves, connection charge revenues, assessments, system reinvestment funding from rates, and use of debt. The budget provides for up to two (2) alternative capital funding strategies for each utility.

#### **Task 4: Update Operating Forecast**

Update the water and sewer utility operating and maintenance (O&M) costs, debt service, and other financial obligations over for the period. The LWWSD's current water and sewer utility operating budget or internal year-end 2013 projections will be relied upon as the baseline. Update planning growth forecasts and economic factors for cost escalation as necessary. Integrate additional O&M expenses, if any, resulting from the current CIP and any other known changes in operational requirements.

#### **Task 5: Update Revenue Requirements**

Update the water and sewer utility revenue requirements to incorporate fiscal policies, capital financing impacts, and the operating forecast. Develop an operating cash flow to determine the rate revenue requirements over the planning horizon. Evaluate the sufficiency of current adopted rates (through 2015) and develop rate revenue strategies that meet financial obligations over the planning horizon and provide smooth impact to customers, to the extent practical. The budget provides for up to two (2) alternative scenarios for each utility.

#### **Task 6: Cost of Service Analysis**

Conduct the technical analyses necessary to provide a rational basis for allocating utility system costs, developing unit costs of service, and recommending rate structures that are grounded in best practice and consistent with the District's rate setting goals. Major subtasks are summarized below:

- *Customer Data Analysis* – Analyze and summarize water and sewer customer statistics including individual customer accounts, dwelling units, meter size, and monthly water usage patterns based on the most recent 12-month period of detailed billing system data. Validate historical information in terms of reconciling customer and water usage records with historical rates and reported revenues to validate data reliability for use in the cost of service analysis and rate design. Depending on the initial outcome, this could include additional follow up with District staff to determine potential reasons for significant discrepancies.

- *Functional Allocation* – Update historical water and sewer system assets to reflect new or removed assets since the previous study. Review/update the functional allocation of plant investment and operating expenses to water and sewer system components. We will begin with the allocation parameters derived in the 2003 cost of service/rate study and validate or revise as necessary in collaboration with District staff. Since the same schedule of rates apply to all customers on the systems, an assignment of costs to customer classes is not required.
- *Unit Cost Development* – Develop unit costs of service by functional cost component to serve as the building blocks for alternative rate structure designs. This will include the assignment of costs between fixed and variable rate components to promote revenue stability.

#### **Task 7: Rate Structure Evaluation**

Design alternative rate structures to better align with District goals and current rate setting practices. Rates will be designed for each year of the study period. Major subtasks include:

- *Evaluate Alternative Rate Structures* – Review existing water and sewer rate structures as a baseline for comparing recommended rate structure alternatives. At a minimum, water rate structure alternatives will include elimination of the usage allowance and design of a two-tiered increasing block volume rate. We will evaluate the impact of providing utility rate discounts for senior low-income and disabled customers.
- *Design Alternative Rate Structures* – Based on the selected alternatives(s) for each utility, design a schedule of water and sewer rates for the study period. Price elasticity of demand factors will be incorporated into the rate designs to evaluate the relationship between price and potential reduction in water use to mitigate the effect of rate increases on revenue collections. Phase-in strategies might be developed to smooth impacts of structural changes, such as phasing out the usage allowance over time. Demonstrate the ability of the proposed water and sewer rates to generate the required revenues by testing rates against composite system customer demand. Identify the portion of revenues anticipated to be collected from the fixed and volume rate components to provide for an appropriate balance of revenue stability and the ability for customers to control their bill by reducing usage levels.
- *Prepare Sample Customer Bill Impacts* – Prepare sample water and sewer bills for various usage levels under the adopted and proposed rates. Obtain water and sewer rates for up to five selected jurisdictions and calculate comparative water and sewer bills for residential customers.

#### **Task 8: Meetings & Presentations**

Prepare for and attend up to two onsite (2) meetings with LWWSD staff to review draft revenue requirements and cost of service/rate results. Additional review meetings can be accommodated through teleconference and GoToMeeting®. Prepare materials and attend up two (2) meetings with the Board of Commissions to present draft and final study results.

#### **Task 9: Documentation**

Prepare / submit a technical memorandum summarizing study assumptions, findings and recommendations, and the schedule of proposed rates. Electronic versions of the rate models will be submitted in Excel format.

#### **Task 10: Project Management / Administration**

Perform miscellaneous project set up activities, work paper documentation, internal scheduling/workload planning, and invoicing and progress reporting throughout the study.

## Exhibit B

### Fee Schedule

The exhibit below outlines the hourly rates, estimating the labor hours, cost per task and total project budget described in the Scope of Work and Task Plan above:

Task	Consultant Hours				Total Estimated Hours	Total Budget
	Principal-In-Charge Johnson	Study Manager Wilson	Analyst Aaker	Admin. Support		
<i>Hourly Billing Rates:</i>	\$225	\$175	\$120	\$75		
Task 1 - Data Collection / Validation	2	4	16		22	\$ 3,070
Task 2 - Update Fiscal Policies		2	6		8	\$ 1,070
Task 3 - Update Capital Financial Plans		2	16		18	\$ 2,270
Task 4 - Update Operating Forecast		2	16		18	\$ 2,270
Task 5 - Update Revenue Requirements	2	8	24		34	\$ 4,730
Task 6- Cost of Service Analysis	2	10	72		84	\$ 10,840
Task 7 - Rate Structure Evaluation	2	8	60		70	\$ 9,050
Task 8 - Meetings & Presentations	8	24	32	8	72	\$ 10,440
Task 9 - Documentation	4	8	24		36	\$ 5,180
Task 10 - Project Management / Administration	2	6	2	2	12	\$ 1,890
<b>Subtotal</b>	<b>22</b>	<b>74</b>	<b>268</b>	<b>10</b>	<b>374</b>	<b>\$ 50,810</b>
Technology Charge (a)						\$ 1,870
Mileage (b)						\$ 345
<b>Total</b>						<b>\$ 53,025</b>

(a) \$5.00 per FCS GROUP labor hour to cover overhead for IT systems, computers, communication devices and connectivity.

(b) \$0.50 per mile



LAKE WHATCOM WATER AND SEWER DISTRICT

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TO BOARD OF COMMISSIONERS			
FROM: Patrick Sorensen	MANAGER APPROVAL <i>Patrick Sorensen</i>		
MEETING AGENDA DATE:	July 31, 2013		
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 <input type="checkbox"/>	FORMAL ACTION/ MOTION <input type="checkbox"/>	INFORMATIONAL/ OTHER <input checked="" type="checkbox"/>

**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

July 31, 2013

### Board Meeting

#### Important Upcoming Dates:

- **Meetings Associated with the Lake Whatcom Management Program:**
  - **Policy Group Meeting:** The next meeting will be on **September 9, 2013 at 9:30 a.m.** in the Garden Room at the Whatcom County Civic Center located at 322 North Commercial Street. There is no August meeting. The Agenda topics have not been set as of this date. Remember, all Policy Group Meetings are publicly noticed by the District.
  - **Management Meeting:** A meeting is tentatively scheduled to be held in September; the exact date and agenda have not been set as of this time.
- **Next Regular Board Meeting:** Scheduled for Wednesday, **August 14, 2013 at 6:30 p.m.**
- **Next Employee Staff Meeting:** Is scheduled for **Thursday, August 15, 2013 at 8:00 a.m.** in the Board Room. Commissioner Weide is scheduled to attend this meeting. Scheduling is rotated by alphabetical order each month.
- **Washington Association of Sewer & Water Districts Section III Meeting:** The next Section III meeting will be held at Bob's Burger & Brew in Tulalip on **Tuesday, August 13, 2013** starting at 6:20 p.m. All WASWD Section III Meetings are publicly noticed by the District.
- **Next Employee Safety Committee Meeting:** Wednesday August, 13, 2013 at 8:00 a.m. in the District Conference Room.
- **Whatcom Water Districts Caucus Meeting:** The next regular meeting is scheduled for **Wednesday, July, 31 2013 at 3:00 p.m.** This meeting is held in the District's Board Room and is publicly noticed.

#### Other:

- **Annual Summer Picnic Sponsored by the Union:** Again the bargaining unit will be sponsoring a summer picnic for the staff. Both the Board and management staff has been invited to attend. This will be held on August 15, 2013 between 12:00 noon and 1:00 p.m. The location will either be at the District Office or the Maintenance Building. The location has not been determined yet. As always we are grateful for their generosity.



- **Out of Area:** FYI. I will be out of the area attending to family business from July 26 through July 30. Bill Hunter will be in the office.
- **Personnel Manual Update:** As mentioned previously I have been working on syncing up the language in the Labor Contract with the District Personnel Policies Manual as best as possible. There should be no conflicts between the two documents. This review effort has taken the last couple of months. It is in legal counsel's hands now. Following Sara Hall's review it will be shared with staff and then the Board sometime before the end of the summer.
- **Update - Penalties Section of the District Administrative Code:** This element of the Administrative Code was something that we planned to address this summer after resolving the "phantom sewer connection issue". Presently we have little language that defines consequences or penalties within the Administrative Code. We need to include this within the Administrative Code. This will be a policy decision by the Board. Presently Tom Fryer from Brian Hansen's office is researching this issue through examples from other districts and cities. We should have something to share with the Board later this fall.
- **Fall WASWD Conference:** The Fall Conference will be upon us before we know it. This year's meetings will be held at the Red Lion in Pasco between Wednesday, September 25 and Friday the 27<sup>th</sup>. I do not have a copy of the conference agenda yet. Reminder - on July 10 the Board rescheduled the September 25 meeting to the 23<sup>rd</sup>. This was done because of the WASWD Conference.
- **District Water Rights:** FYI, the District's water rights through the Washington Department of Ecology for both the Agate Heights Well and the Lake Whatcom surface water have recently been granted an extension (5-years) to full beneficial use. Another request for another 5-year extension will be made in 2018. The State is essentially giving us more time to reach build out through existing lots, which is not likely to be reached anytime in the near future. This is an administrative process done every 5 years.
- **Stormwater Task Order Amendment # 1:** FYI. Wilson Engineering was originally contracted to update our Sewer Comprehensive Plan. In addition they were also asked to research and prepare background information on stormwater/water quality options in conjunction with the recent Tech Memo and Workshop. Costs to reach this point have exceeded the original budget by approximately \$8,000.

This effort and completion have cost more than originally envisioned. As the General Manager I am recommending that we increase the original Task Order amount from \$12,395 by an additional \$14,500 see attached Amendment # 1). With this change, the total Task Order price would now be \$26,895. No additional changes relating to the stormwater section are anticipated. I am seeking the Board's blessing. The General Manager is authorized to make changes up to \$25,000 if funds exist.

- **Board Members Out of the Area:** Reminder:

- ✓ Commissioner Millar will be out of the area on the following Board meeting dates: August 28, September 11, & November 13.

**TASK ORDER 2013-002 Amendment #1  
Lake Whatcom Water and Sewer District  
General Engineering Services**

**DESCRIPTION:**

The original Task Order covered work to research and prepare background information on stormwater / water quality options and present the information to the Board in a Tech Memo and Stormwater Workshop. Costs to reach this point have exceeded the original budget by about \$8,000. While the original Task Order Scope did not include the completion of the stormwater / water quality chapter of the Sewer Comprehensive Plan, we will be able to use large portions of the Tech Memo in the Chapter.

This amendment adds to the original task order scope and total cost. It also updates the schedule to reflect current construction contract dates.

**SCOPE OF WORK:**

*District project number: C1315 - Phase 2*

*Project name: Stormwater Chapter Scope for Sewer Comprehensive Plan Update*

- Make minor corrections to Tech Memo and publish
- Edit and revise Tech Memo into Water Quality / Stormwater Chapter format

**COST SUMMARY:**

*Task Order Price (time & materials not to exceed):*

Original Task Order	\$12,395
Amendment #1	\$14,500

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Total Task Order Price	\$26,895
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**PROJECT SCHEDULE:**

*Milestone dates (goals):*


- Tech Memo Complete - mid-July
- Water Quality / Stormwater Chapter Complete - August

**AUTHORIZATION:**

Lake Whatcom Water and Sewer District

Wilson Engineering, LLC

By:   
Patrick Sorensen  
General Manager

By:   
Melanie Mankamy  
Senior Partner

Dated: 7-11-13

Dated: 6-26-13