



LAKE WHATCOM WATER & SEWER DISTRICT

1220 Lakeway Drive
Bellingham, WA, 98229

(360) 734-9224
Fax 738-8250

MEMORANDUM

Date: January 7, 2021
From: Lake Whatcom Water & Sewer District
RE: Meeting Procedures During the Covid-19 Emergency

Lake Whatcom Water & Sewer District continues to operate under adjusted procedures in order to provide continuous service to our customers. That said, we are taking precautions in an effort to protect the health and safety of our staff, commissioners, and customers. Our lobby is currently closed to the public, and we are practicing social distancing guidelines as suggested by Governor Inslee and the CDC.

For the foreseeable future, Commissioners will be attending regular meetings by phone. Per Governor Inslee's [Proclamation No. 20-28.3](#) amending his Stay Home, Stay Health proclamation, the District will provide access to interested public via phone/internet utilizing the GoToMeeting platform.

If you would like to attend the January 13 regular meeting, details can be found below. In this evolving climate, we are committed to doing everything possible to provide opportunity for public comment as well as promote health and safety. As such, the District requests that if possible, public submit comments in written form by noon the day before a scheduled meeting for inclusion in the meeting discussion.

We appreciate your understanding and patience during these uncertain times. If you have any questions, please contact Administrative Assistant Rachael Hope at rachael.hope@lwwsd.org or 360-734-9224.

January 13, 2021 Regular Board Meeting

Wed, Jan 13, 2021 6:30 PM - 9:00 PM (PST)

Please join my meeting from your computer, tablet or smartphone.

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LAKE WHATCOM WATER AND SEWER DISTRICT

1220 Lakeway Drive
Bellingham, WA 98229

REGULAR MEETING OF THE BOARD OF COMMISSIONERS

AGENDA

January 13, 2021


6:30 p.m. – Regular Session

1. CALL TO ORDER
2. ROLL CALL
3. CONFIRMATION OF COMPLIANCE WITH REMOTE MEETING ATTENDANCE PROTOCOLS
4. PUBLIC COMMENT OPPORTUNITY
At this time, members of the public may address the Board of Commissioners. Please state your name prior to making comments.
5. ADDITIONS, DELETIONS, OR CHANGES TO THE AGENDA
6. CONSENT AGENDA
7. SPECIFIC ITEMS OF BUSINESS
 - A. Election of Officers
 - B. Appointment of Investment Committee Representatives
 - C. Appointment of Whatcom County Council of Governments and Lake Whatcom Policy Group Representatives
 - D. On-site Sewage System Policy Discussion
 - E. Service Area-specific Rate Structure Policy Discussion
8. OTHER BUSINESS
9. STAFF REPORTS
 - A. General Manager
10. PUBLIC COMMENT OPPORTUNITY
11. ADJOURNMENT



**AGENDA
BILL
Item 6**

Consent Agenda

DATE SUBMITTED:	January 7, 2021	MEETING DATE:	January 13, 2021
TO: BOARD OF COMMISSIONERS	FROM: Rachael Hope		
GENERAL MANAGER APPROVAL			
ATTACHED DOCUMENTS	1. See below		
TYPE OF ACTION REQUESTED	RESOLUTION <input type="checkbox"/>	FORMAL ACTION/ MOTION <input checked="" type="checkbox"/>	INFORMATIONAL /OTHER <input type="checkbox"/>

****TO BE UPDATED 1.13.2021****

BACKGROUND / EXPLANATION OF IMPACT

- Minutes from the December 30, 2020 Regular Board Meeting
- Payroll for Pay Period #01 (12/25/2020 through 01/07/2021) total to be added
- Payroll Benefits for Pay Period #01 total to be added
- Accounts Payable Vouchers total to be added

FISCAL IMPACT

Fiscal impact is as indicated in the payroll/benefits/accounts payable quantities defined above. All costs are within the Board-approved 2021 Budget.

RECOMMENDED BOARD ACTION

Staff recommends the Board approve the Consent Agenda.

PROPOSED MOTION

A recommended motion is:

"I move to approve the Consent Agenda as presented."



LAKE WHATCOM WATER AND SEWER DISTRICT

1220 Lakeway Drive
Bellingham, WA 98229

REGULAR SESSION OF THE BOARD OF COMMISSIONERS

Minutes

December 30, 2020

Board President Laura Abele called the Regular Session to order at 8:00 a.m.

Attendees: Commissioner Laura Abele	General Manager Justin Clary
Commissioner Todd Citron	District Engineer/Assistant GM Bill Hunter
Commissioner John Carter	Finance Manager/Treasurer Debi Denton
Commissioner Bruce Ford	Operations & Maintenance Manager Brent Winters
Commissioner Leslie McRoberts	Recording Secretary Rachael Hope

Also present were Brian Smith of Wilson Engineering, and Keith Stewart and Russ Porter of Gray & Osborne.

All attendees participated remotely by phone or video conferencing.

Roll Call

General Manager Justin Clary performed a roll call to identify those in attendance, and then verbally confirmed that the meeting was noticed in accordance with Resolution No. 859 allowing remote meeting attendance as well as in compliance with current statutory requirements. It was confirmed that all participants were able to be heard and hear each other clearly.

Changes to Agenda

Clary requested the addition of Business Item 7.C: Families First Coronavirus Response Act Benefits Extension. The Board agreed.

Consent Agenda

Action Taken

Citron moved, Ford seconded, approval of:

- Minutes from the November 25, 2020 Regular Board Meeting
- Minutes from the December 09, 2020 Regular Board Meeting
- Payroll for Pay Period #25 (11/28/2020 through 12/11/2020) totaling \$47,270.72
- Payroll Benefits for Pay Period #25 totaling \$49,847.51
- Payroll for Pay Period #26 (12/12/2020 through 12/25/2020) totaling \$50,059.07
- Payroll Benefits for Pay Period #26 totaling \$33,532.24
- Accounts Payable Vouchers totaling \$61,948.86

Motion passed.

Sudden Valley Water Treatment Plant Alternatives Analysis Briefing #3

Hunter recalled that Gray & Osborne was contracted after an initial condition assessment in July 2020, to perform an alternatives analysis of work to be done at the District's Sudden Valley Water Treatment Plant. The assessment identified high and low priority items that were subsequently broken down by major system.

The major systems as written in the scope of work agreement are:

- Pump Performance Test (Presented to Board 9/30/2020, Briefing #1)
- Chemical Systems Analysis (Presented to Board 11/25/2020, Briefing #2)
- Disinfection Systems Analysis
- Backwash Systems Analysis
- Filtration System Analysis (presented to Board as part of this agenda item)
- Tier 2/3 Seismic and Structural Analysis (Presented to Board 11/25/2020, Briefing #2)
- Structural/Architectural Workspace Analysis
- NACE III Coating Inspection (Presented to Board 9/30/2020, Briefing #1)

For this meeting, Gray & Osborne presented the findings of the Filtration System Analysis. Keith Stewart of Gray & Osborne provided a presentation with visuals to summarize their findings and recommendations and collect Board comments. Discussion followed.

Agate Heights Water Treatment Plant Upgrades Public Works Contract Award

This project upgrades the Agate Heights Water Treatment Plant manganese water treatment equipment and associated automation and supervisory control systems. These 2021 upgrades increase the number of equivalent residential units (ERU) that can be served from 57 ERU to 81 ERU. The upgrade provides capacity for future growth and extensions through developer extension agreements, utility local improvement districts, or other means. The upgrade also replaces 20+ year old automation and supervisor control systems that are in need of replacement. Hunter explained that the District received two bids for this project, with Equity Builders as the apparent low bidder. Staff recommended awarding the contract to the apparent low bidder, whose bid was within the budgeted amount for this project. Discussion followed.

Action Taken

Citron moved, McRoberts seconded, to award the Agate Heights Water Treatment Plant Upgrades public works contract to Equity Builders for a total contract price of \$215,915 including 8.5% sales tax, and authorize the general manager to execute the contract. Motion passed.

Families First Coronavirus Response Act Benefits Extension

Clary recalled that at the outset of the COVID-19 pandemic, President Trump signed the Families First Coronavirus Response Act (FFCRA) relief bill into law. The FFCRA requires private employers with less than 500 employees and certain public employers (which includes the District) to provide employees with 80 hours of paid leave for specified reasons related to COVID-19 and up to 10 weeks of paid, job-protected leave for employees who are unable to work due to the need to care for a son or daughter whose school is closed or the unavailability of a child care provider due to COVID-19. The FFCRA expires December 31, 2020.

On December 21, 2020, lawmakers decided they would not extend the FFCRA, but instead will allow employers to decide whether or not to continue to provide paid leave relief relative to the pandemic. As currently drafted, this option is available until March 31, 2021. District management has consulted with District legal counsel, who has concluded that, should the Board elect to extend the provisions of the FFCRA through March 31, 2021, it may legally do so.

Action Taken

Abele moved, McRoberts seconded, to extend the paid leave relief provisions provided under the Families First Coronavirus Relief Act to District employees, as eligible, through March 31, 2021. Motion passed.

General Manager's Report

Clary updated the Board on several topics, including the District's continued response to the COVID-19 pandemic, upcoming agenda items for January 2021, and the passing of former District employee Randy Craker. Discussion followed.

Engineering Department Report

Hunter highlighted several projects, including an overview of the list of District projects completed in 2020, averaging around two per month, and the upcoming bid for the Euclid Sewer Pump Station public works construction project. Discussion followed.

Finance Department Report

Denton reported that revenues and expenditures for November tracked well with the budget. She explained that the impact of the pandemic on past due accounts has been minimal, but that some of the accounts that are past due have larger balances. Future discussion will be needed regarding payment plans when the Governor's proclamation suspending locks and late fees ends. Denton also mentioned several upcoming projects for the Finance Department, including review of low income/senior discount accounts policy, annual audit, and rate study. Discussion followed.

Operations & Maintenance Department Report

Winters reported on ongoing projects and development in the Operations Department, including recent annual confined space rescue training and practice, new water service installations, and response to a power outage on December 22. Discussion followed.

With no further business, Abele adjourned the Regular Session 9:22 a.m.

Board President, Laura Abele


Attest: _____
Recording Secretary, Rachael Hope

Minutes approved by motion at ☐ Regular ☐ Special Board Meeting on _____
Date Minutes Approved



**AGENDA
BILL
Item 7.A**

Election of Board Officers

DATE SUBMITTED:	January 4, 2021	MEETING DATE:	January 13, 2021
TO: BOARD OF COMMISSIONERS	FROM: Justin Clary, General Manager		
GENERAL MANAGER APPROVAL			
ATTACHED DOCUMENTS	1. None		
TYPE OF ACTION REQUESTED	RESOLUTION <input type="checkbox"/>	FORMAL ACTION/ MOTION <input checked="" type="checkbox"/>	INFORMATIONAL /OTHER <input type="checkbox"/>

BACKGROUND / EXPLANATION OF IMPACT

The District operates under the authority of [Revised Code of Washington \(RCW\) Title 57](#), Water-Sewer Districts. Under [RCW 57.12.10](#), Commissioners-President and Secretary-Compensation, "the board shall annually elect one of its members as president and another as secretary." The District has historically fulfilled this statutory obligation during its first meeting of the calendar year.

FISCAL IMPACT

No fiscal impact is anticipated.

APPLICABLE EFFECTIVE UTILITY MANAGEMENT ATTRIBUTE(S)

Election of board officers supports all ten EUM attributes at various levels.

RECOMMENDED BOARD ACTION

Staff recommends that the Board appoint a president and a secretary from amongst its membership.

PROPOSED MOTION

Recommended motions are:


"I move to appoint Commissioner _____ to serve as District Board president for the 2021 calendar year."

"I move to appoint Commissioner _____ to serve as District Board secretary for the 2021 calendar year."



**AGENDA
BILL
Item 7.B**

**Appointment of Board
Representatives to the District's
Investment Committee**

DATE SUBMITTED:	January 4, 2021	MEETING DATE:	January 13, 2021
TO: BOARD OF COMMISSIONERS	FROM: Justin Clary, General Manager		
GENERAL MANAGER APPROVAL			
ATTACHED DOCUMENTS	1. None		
TYPE OF ACTION REQUESTED	RESOLUTION <input type="checkbox"/>	FORMAL ACTION/ MOTION <input checked="" type="checkbox"/>	INFORMATIONAL /OTHER <input type="checkbox"/>

BACKGROUND / EXPLANATION OF IMPACT

[Chapter 2.14 of the District's administrative code](#) establishes an Investment Committee, which is comprised of the finance manager/treasurer, general manager, and two commissioners. Duties of the committee include, at a minimum, quarterly review of the District's investment portfolio and rate structure (Chapter 2.4) and annual review of the District's investment policy (Chapter 2.14).

FISCAL IMPACT

No fiscal impact is anticipated.

APPLICABLE EFFECTIVE UTILITY MANAGEMENT ATTRIBUTE(S)

Financial Viability

RECOMMENDED BOARD ACTION

Staff recommends that the Board appoint two representatives from amongst its membership to serve on the District's Investment Committee.

PROPOSED MOTION


A recommended motion is:

"I move to appoint Commissioner _____ and Commissioner _____ to serve as the Board's representatives on the District's Investment Committee for the 2021 calendar year."



**AGENDA
BILL
Item 7.C**

**Appointment of Board
Representatives to the Whatcom
County Council of Governments
and the Lake Whatcom
Management Program Policy Group**

DATE SUBMITTED:	January 4, 2021	MEETING DATE:	January 13, 2021
TO: BOARD OF COMMISSIONERS	FROM: Justin Clary, General Manager		
GENERAL MANAGER APPROVAL			
ATTACHED DOCUMENTS	1. None		
TYPE OF ACTION REQUESTED	RESOLUTION <input type="checkbox"/>	FORMAL ACTION/ MOTION <input checked="" type="checkbox"/>	INFORMATIONAL /OTHER <input type="checkbox"/>

BACKGROUND / EXPLANATION OF IMPACT

The District annually appoints a representative to serve on the Whatcom County Council of Governments and a representative to serve on the Lake Whatcom Management Program Policy Group.

FISCAL IMPACT

No fiscal impact is anticipated.

APPLICABLE EFFECTIVE UTILITY MANAGEMENT ATTRIBUTE(S)

Community Sustainability
Water Resource Sustainability
Stakeholder Understanding and Support

RECOMMENDED BOARD ACTION

Staff recommends that the Board appoint representatives from amongst its membership to serve on the Whatcom County Council of Governments and the Lake Whatcom Management Program Policy Group.

PROPOSED MOTION

Recommended motions are:


"I move to appoint Commissioner _____ to serve as the District's representative on the Whatcom County Council of Governments for the 2021 calendar year."

"I move to appoint Commissioner _____ to serve as the District's representative on the Lake Whatcom Management Program Policy Group for the 2021 calendar year."



**AGENDA
BILL
Item 7.D**

**On-site Sewage System
Policy Discussion**

DATE SUBMITTED:	January 4, 2021	MEETING DATE:	January 1, 2021
TO: BOARD OF COMMISSIONERS	FROM: Justin Clary, General Manager		
GENERAL MANAGER APPROVAL			
ATTACHED DOCUMENTS	1. Letter from Commissioner Ford dated November 23, 2020		
TYPE OF ACTION REQUESTED	RESOLUTION <input type="checkbox"/>	FORMAL ACTION/ MOTION <input type="checkbox"/>	INFORMATIONAL /OTHER <input checked="" type="checkbox"/>

BACKGROUND / EXPLANATION OF IMPACT

Together with the city of Bellingham (City) and Whatcom County (County), the District formed a partnership in 1990 to develop a joint management strategy for the Lake Whatcom watershed. The resulting Lake Whatcom Management Program guides actions by the three entities to protect the quality of Lake Whatcom water. The prior 2015-2019 and current 2020-2024 work plans for the Lake Whatcom Management Program include as an objective under the Monitoring & Data program area “collect and manage data to increase our understanding of water quality and pollution sources, and to guide management decisions.”

In the winter/spring of 2017, Herrera Environmental Consultants, Inc. (Herrera) under contract with the District, conducted a series of monitoring events along the north shore of Lake Whatcom to assess the impact of existing on-site sewage systems (commonly referred to as septic systems) on the water quality of the lake. The findings of the assessment, which were published in a report in July 2017, indicate that on-site sewage systems are likely adversely impacting water quality. However, City and County staff raised a number of concerns regarding the monitoring approach of the assessment. To address the data gaps of the 2017 assessment identified by City and County staff, and to collect additional data to better understand the impact of on-site sewage systems, a scope of work for a second round of monitoring was jointly developed by City, County, and District staff, and an interlocal agreement between the District and County was executed on November 20, 2019 to allocate funding requirements of the assessment.

Following a public bid process, Herrera was selected and entered into a contract with the District for conducting a second round of monitoring in 2020, with the scope expanded to address City/County comments on the 2017 study. Herrera completed the monitoring effort this past winter/spring and issued a findings report on September 30. Herrera staff provided a presentation to the Board on the results and conclusions of the 2020

monitoring effort during the Board's September 9, 2020, meeting, as well as to the Lake Whatcom Management Program Policy Group during its September 23 meeting.

Since that time, Commissioner Ford has developed a letter regarding septic systems on the north shore (attached). The purpose of including the discussion in the January 13 board agenda is to illicit further discussion regarding the assessment findings and the District's policy/direction regarding the existing septic systems.

FISCAL IMPACT

No fiscal impact is anticipated associated with the Board's policy discussion. Should the Board wish to proceed with additional actions, fiscal impacts would be dependent upon the action(s).

APPLICABLE EFFECTIVE UTILITY MANAGEMENT ATTRIBUTE(S)

Water Resource Sustainability

RECOMMENDED BOARD ACTION

No action is recommended.

PROPOSED MOTION

Not applicable.

The District has been involved in assessing the impact of septic tanks on the North shore of Lake Whatcom since 2015.

Many of the approximately 95 septic tanks along Northshore are old and highly polluting. Although this is a known fact, actual site sampling and analysis is required to demonstrate that there is evidence of enough pollution entering the lake to pose a public health / environmental hazard.

The District arranged for the first study of Northshore septic tanks that showed significant levels of fecal coliform contamination and human DNA biomarkers. This study revealed that surface water was entering the lake in the area of the homes on Northshore.

Surface water contamination from septic tanks is not normal. Septic tank wastewater normally flows from homes to tanks, then into leach fields and slowly percolates down into the ground. At no time does leachate reach the surface unless the system is malfunctioning. A proper study of septic tanks would require sampling of groundwater as leachate slowly passes into and out of the leach field and underground into the lake.

The septic tank sampling area contains ditches where the contaminated surface water collects and flows into pipes and is discharged directly into the lake in many areas along Northshore. Each of these pipes should be listed and monitored as an NPDES wastewater discharge.

The announced conclusions of the County plan involved sampling and analysis performed within their narrow focus with very limited scope. The seasonal rainfall events and sample locations were not conducive to performing an accurate scientific analysis of the contamination of Lake Whatcom by septic tanks.

Proper engineering and scientific studies require a multi-disciplined approach. In the case of sampling and analysis of septic tanks along the lake, the hydrology cannot be ignored. In the case of the many old septic tanks along Northshore, their leach fields are without proper soil depths to support a minimally effective system. As the ground becomes saturated, leachate that is typically flowing down-gradient underground into the lake rises to the surface, where they flow into ditches and are directed into the lake through pipes. As the rainy season extends, the contaminants are flushed out until their concentrations are greatly reduced.

I advise that the District get another opinion on the studies that have been performed and recommend a course of action. A hydrogeological engineering specialist with Gray and Osborne Engineers has attended District board meetings in the past. I could reach out to him as an interested citizen for additional guidance.

The District is a minority player in the Lake Whatcom septic tank issue. As we go further in addressing this issue, we can expect continued push-back from the County. We need to be confident of our values, the science and politics.

Bruce Ford

LWWSD Commissioner, Northshore



**AGENDA
BILL
Item 7.E**

**Service Area-specific Rate
Structure Policy Discussion**

DATE SUBMITTED:	January 7, 2021	MEETING DATE:	January 13, 2021
TO: BOARD OF COMMISSIONERS	FROM: Debi Denton, Finance Manager		
GENERAL MANAGER APPROVAL			
ATTACHED DOCUMENTS	1. Area-specific Utility Rate Policy Analysis memorandum dated January 7, 2021		
TYPE OF ACTION REQUESTED	RESOLUTION <input type="checkbox"/>	FORMAL ACTION/ MOTION <input type="checkbox"/>	INFORMATIONAL /OTHER <input checked="" type="checkbox"/>

BACKGROUND / EXPLANATION OF IMPACT

During the regularly scheduled meeting of the Board of Commissioners on November 25, 2020, Commissioner Citron raised the topic of considering transition from a unified (District-wide) rate structure to one that is specific amongst various services areas of the District.

Attached is a memorandum developed by staff meant to facilitate Board policy discussion on the topic.

FISCAL IMPACT

No fiscal impact is anticipated associated with the Board's policy discussion. Should the Board wish to proceed with development of an area-specific rate structure, initial fiscal impacts, which are unknown at this time, would be in the form of hiring a financial consultant to assist the District in creating an equitable rate structure.

APPLICABLE EFFECTIVE UTILITY MANAGEMENT ATTRIBUTE(S)

Customer Satisfaction
Financial Viability
Stakeholder Understanding and Support

RECOMMENDED BOARD ACTION

No action is recommended at this time.

PROPOSED MOTION

Not applicable.



LAKE WHATCOM WATER & SEWER DISTRICT

1220 Lakeway Drive
Bellingham, WA, 98229

(360) 734-9224
Fax 738-8250

MEMORANDUM

To: Board of Commissioners Date: January 7, 2021

From: Debi Denton, Finance Manager/Treasurer
Justin Clary, General Manager

RE: Area-specific Utility Rate Policy Analysis

The Lake Whatcom Water and Sewer District (District) is authorized as a special purpose district under [Title 57 Revised Code of Washington](#) (RCW), Water-Sewer Districts. In the provision of water and/or sewer services to its customers, the District is granted "full authority" in setting water and sewer rates, as long as it is done in a manner that "is not in conflict with general law" ([RCW 57.08.005](#), Powers).

Approximately every five-to-six years the District reviews its water sales and sewer service rates to ensure sufficient revenues for the day-to-day operations of the District, as well as to fund future system reinvestment (i.e., upgrade, repair and replacement of applicable infrastructure and facilities), and sets rates with annual, incremental increases for the subsequent six-year period. With its current rate structure scheduled to conclude December 31, 2021, the District went through a public bid process for selecting a financial consultant to assist the District in completing a rate analysis over the coming year. During its regularly scheduled meeting on November 25, 2020, the Board of Commissioners (Board) authorized the execution of a personal services agreement with FCS Group to assist the District in performing its rate update. However, during the meeting, Commissioner Citron raised a question regarding the appropriateness of the District continuing under a unified rate structure (i.e., a uniform rate structure for all District customers, regardless of location within the District or of the condition of the infrastructure by which they are directly served). The purpose of this memorandum is to facilitate Board discussion relative to the District's rate structure policy.

Current Policy

District Administrative Code Sections 2.10.1 and 2.10.2 provide current District policy pertaining to its rate structure:

2.10.1 Unified Water/Sewer Rate Policy

The Board has adopted a unified rate structure for all of its water and sewer service areas. All water and sewer rates and charges shall be in accordance with the District's current Master Fees and Charges Schedule. [Resolution Nos. 669, 782]

2.10.2 Rate Setting Policy

The District's rates and charges are based upon the cost of service and are designed to provide for the prudent financial management of the District. When setting rates, the Board of Commissioners not only have to be sure that there will be enough money to pay for the day to day operations of the District but also to cover future infrastructure upgrades, repairs and replacements. Since rate setting is such a complex issue, the District has periodic rate studies done by a rate consultant. In 2003 the Board implemented a policy of increasing the District's rates in small increments on an annual basis. When setting rates, it is important to use a methodology that is generally accepted.

- 1. Financial Stability: The financial stability of the District also provides rate stability. Rate stability reinforces that costs are being managed and controlled. To the extent the District is able to control and predict its annual operating costs including wholesale rate increases, the District should attempt to keep customer rates and/or rate increases as stable as possible.*
- 2. Revenue Requirements Analysis: Revenue requirements will be established on a "cash basis" approach. The "cash basis" approach includes operations and maintenance expenses, debt service and capital improvements funded from rates. The revenue requirements, as defined herein, are the basic components. Revenue requirements should also include any other cost items requiring funding or needed to operate the District on a financially stable basis. At a minimum, revenues and costs will be projected for a six-year projected period. Costs associated with mandated program requirements will be identified and included within the "cash basis" approach.*
- 3. Cost of Service Analysis: A cost of service study will be utilized to assist in establishing appropriate rates for individual customer classes. The cost allocation methodology will utilize techniques that are "generally accepted" by the industry. The cost of service will consider the specific circumstances and unique characteristics of the District.*
- 4. Rate Design Analysis: Rate designs will be reflective of District needs and also reflect the specific goals and objectives of the District. Meeting District goals at a reasonable cost to the customer should also be an important consideration in utility rate design. Rates will recognize and attempt to incorporate a fixed charge for the up-front fixed costs associated with serving customers and a usage or volumetric charge that attempts to recover the variable costs of operating the District. Rates will be set at a level that recovers necessary costs, but flexible enough to accomplish the District's objectives. Rates should be designed to be equitable, and detailed to a sufficient level to reflect the service provided.*
- 5. Rate Stability: The District reviews rates on an annual basis to assure that they provide sufficient revenues. The rates are reviewed in the context of these policies to assure that they are adequately funding the District. Small annual rate adjustments are preferable when compared to large single adjustments for multi-year periods. Annual rate reviews will consider a six-year projected period to attempt to stabilize and minimize rate increases over time.*

6. *Rate Impacts: District rates are the primary communication the District has with its customers. Whenever possible, the District's rates should be easy to understand, stable from year-to-year and should minimize the overall impacts to customers. Rates will be structured to promote understanding by the District's customers. In establishing rates, the District will balance the needs of the District and the policies established therein, with the varying impacts those rates may have on District customers. [Resolution Nos. 825, 861]*

Policy History

Though the District currently employs a unified rate structure, this has not always been the case. Following summarizes the District's rate structure history to the extent that it is readily available (creating a comprehensive summary of the rate structure history would require retrieval of documents from the Washington State Archives):

- Resolution No. 209 (1977). The District Board approved a resolution establishing charges upon acquiring water and sewer infrastructure from the Sudden Valley Community Association in January 1977 and the water system of Geneva Water Corporation in July 1977 during a regular meeting held on November 9, 1977.
- Resolution No. 209B (1977). The District Board set rates for Geneva, Lake Whatcom Group and Sudden Valley during a regular meeting held on July 12, 1978.
- Resolution No. 458 (1988). The District Board adopted a three service area sewer utility rate structure during a regular meeting held on March 14, 1988.
- Resolution No. 662 (2002). District Board adopted a single, unified water utility rate structure during a regular meeting held on June 12, 2002.

Analysis of Area-specific Rate Policy

District staff, following consultation with FCS Group who has experience with various special purpose districts and municipalities throughout the state, has developed initial considerations on area-specific rate structures. The following is not meant to be comprehensive, but to provide sufficient information to initiate Board conversation and allow for determination if the District wishes to proceed with a more robust analysis. In general, uniform rate structures across an entire service area is the more common practice for water, sewer, stormwater and irrigation utilities, although area-specific rate structures are relatively common for stormwater and irrigation utilities (e.g., by drainage basin), but still not widely implemented.

Following are general considerations for implementing an area-specific rate structure:

- What makes each area different (Geneva, Sudden Valley, Eagleridge, Agate Heights, North Shore, etc.)?
- Do those differences result in material cost differences in water and/or sewer service costs?

- Can those cost differences be efficiently quantified and assigned to customer groups in each area?
- Does the current billing system support billing unique rates based on area?

Factors for defining areas subject to specific rates may include:

- Specific systems (applicable to water and sewer utilities)
- Elevation (pumping requirements; applicable to water and sewer utilities).
- Distance from key facilities (applicable to water and sewer utilities)
- Additional treatment required for certain locations/sources (applicable to water utility)
- Pretreatment for certain customers (applicable to sewer utility)
- Additional fire protection requirements (applicable to water utility)

Pros associated with area-specific rates include:

- Can provide better rate equity

Cons associated with area-specific rates include:

- Administration is often times more time consuming (and, in turn, costly)
- Can create customer confusion (and, in some cases, animosity) regarding their specific rate(s) relative to other District customers
- Can limit fund allocation flexibility (rates collected from a certain area may only be spent on services and projects in that area)
- Can create political challenges for the Board (i.e., willingness to follow through on implementation of significant rate increases for specific areas)
- Can create a “slippery slope” (i.e., should the District recognize certain cost distinctions, than why not others?)

Calculating area-specific rates is not difficult if all costs are differentiated in the accounting and asset management systems. However, if operations and maintenance line item accounts are blended together (as is the District’s case), these accounts would require area-specific allocation and ongoing tracking to fully justify. A potential option to a comprehensive cost allocation by area would be to blend/share the operations and maintenance cost component and to allocate capital/system reinvestment costs by area(s) benefited.

That said, area-specific rate allocations elsewhere in the state are more often a legacy of jurisdictional consolidation or annexation where there are different levels of prior capital investment (for example, the Mukilteo Water and Wastewater District recently had two rates that were the result of expanding their service area and creating two distinct rates based upon prior and new area served; however, they have since transitioned to a single, unified rate).

In consultation with FCS Group on the topic, Gordon Wilson offered the following:

Area-specific rates are a definite administrative headache. As Ron Slabaugh, the Water/Wastewater Manager for Chelan PUD said “In all my years of going to conferences with other PUD water/wastewater managers, I’ve only seen two kinds: those who have blended rates, and those who wish they had blended rates.” For example, Mason PUD 1 has 70 different water service areas, and just last year they succeeded in creating a blended rate schedule. Kennewick Irrigation District back in 2005 had about 130 different LID areas, each with separate rates. Even for three areas, LWWSD would find itself doing a lot of cost allocating.

The biggest problem, though, is not the administrative hassle. It’s that when you carve up your customer base into smaller units, it makes it harder to solve problems and make needed capital investments. You find yourself saying, “Well, Agate Heights needs this new water treatment plant, but there are only 50 customers out there—they can’t afford this on their own.” And indeed they can’t.

The economies of scale offered by a larger utility are not just a function of density but also aggregation. The rotating spotlight of the CIP can focus on one area this year and another area next year. The areas take turns, and the highest priorities system-wide get the funding. The aggregation of the people available to take on tough capital projects is the biggest reason to insist on geographically neutral rates, because capital projects are so lumpy over time.


Staff Recommendation

Staff fully appreciates Commissioner Citron’s request to consider creating area-specific rates as a means of mitigating the potential of one customer group subsidizing another group (i.e., providing rate equity). However, as a relatively small utility, it is crucial that the District function in as efficient manner as possible. In staff’s view, shifting to an area-specific rate structure would create significant additional administrative workload in increasing the administrative tracking of resources allocated by area, and in implementing and routinely checking those allocations relative to the rates being charged. In addition, as FCS Group indicates above, the District would lose the economies of scale in providing services, both through day-to-day administration and operations, and in implementing its system reinvestment program. For these reasons, staff recommends the District maintain its current unified rate structure.



**AGENDA
BILL
Item 9.A**

**General Manager's
Report**

DATE SUBMITTED:	January 7, 2021	MEETING DATE:	January 13, 2021
TO: BOARD OF COMMISSIONERS	FROM: Justin Clary, General Manager		
GENERAL MANAGER APPROVAL			
ATTACHED DOCUMENTS	1. General Manager's Report		
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.



LAKE WHATCOM WATER AND SEWER DISTRICT

General Manager's Report

Upcoming Dates & Announcements

Regular Meeting – Wednesday, January 13, 2021 – 6:30 p.m.

Important Upcoming Dates

Lake Whatcom Water & Sewer District			
Regular Board Meeting	Wed Jan 27, 2021	8:00 a.m.	Remote Attendance
Employee Staff Meeting	Thu Jan 14, 2021	8:00 a.m.	Remote Attendance Commissioner McRoberts to attend
Investment Comm. Meeting	Wed Jan 27, 2021	10:00 a.m.	Remote Attendance
Safety Committee Meeting	Tue Jan 26, 2021	8:00 a.m.	Remote Attendance
Staff Appreciation Luncheon	Fri Jan 22, 2021	12:00 p.m.	Remote Attendance
Lake Whatcom Management Program			
Data Group Meeting	Thu Jan 14, 2021	9:00 a.m.	Remote Attendance
Policy Group Meeting	Wed Feb 17, 2021	3:00 p.m.	Remote Attendance
Joint Councils Meeting	Wed Mar 31, 2021	6:30 p.m.	Remote Attendance
Other Meetings			
WASWD Section III Meeting	Tue Feb 9, 2021	7:00 p.m.	Remote Attendance
Whatcom Water Districts Caucus Meeting	Wed Jan 20, 2021	1:00 p.m.	Remote Attendance
Whatcom County Council of Governments Board Meeting	Wed Jan 20, 2021	3:00 p.m.	Remote Attendance

Committee Meeting Reports

Safety Committee:

- The committee met on December 29. Topics included the results of a noise study of District facilities/equipment, hearing and respirator fit testing status, and analysis of fall protection equipment for sewer lift station wet wells. The committee also discussed taking an aggressive approach to updating the District's various safety programs in 2021.

Investment Committee:

- No committee meeting has been held since the last board meeting.

Upcoming Important Board Meeting Topics

- District document signing policy
- Sudden Valley water treatment plant alternatives analysis

2021 Initiatives Status

Administration and Operations

Six-Year Business Plan

- Develop department-specific business plans that define staffing, facility, and equipment needs necessary to meet level-of-service standards over the six-year planning horizon.
The management team has initiated plan development taking into consideration the results of the Effective Utility Management self-assessment completed in 2020.

Rate Study

- Conduct a rate study for the water and sewer utilities for the six-year planning horizon, including funding strategies related to significant capital improvements anticipated during and beyond the planning horizon.
A contract for the rate study has been executed; however, initiation of work has been placed on hold until Board discussion on potential conversion to a service area-specific rate structure is completed.

Investment Policy Review

- Conduct a comprehensive review of the District's investment policy aimed at optimizing return on investments while sufficiently protecting District funds.
To be completed spring 2021.

Capital Improvement Program Support

- Support the Engineering Department through management of specific capital improvement project(s).
The general manager is managing the Eagleridge Water Booster-Metering Station Conversion project (District Project No. C2011).

Fill Anticipated Finance Manager Position Vacancy

- With the retirement of the District's Finance Manager anticipated in July 2021, engage in a recruitment and hiring process that allows for seamless transition of leadership in the Finance Department.
The finance manager job description was updated in 2020. Development of recruitment documents will be prepared and advertised in February-March 2021.

Negotiate Successor District-AFSCME Agreement

- With the current labor agreement scheduled to expire December 31, 2021, negotiate a successor agreement that aligns with District financial capacity and Board goals.
To be initiated summer 2021.

Emergency Response/System Security

America's Water Infrastructure Act-compliant Risk Management Program

- Conduct a USEPA-compliant risk and resilience assessment by June 30, 2021.
A draft of the sewer utility assessment is currently under management review, and a draft of the water utility assessment is nearing readiness for review. Certification of both utility assessments is anticipated in January 2021 (the federal certification deadline is June 30, 2021).
- Develop a USEPA-compliant emergency response plan by December 31, 2021.
To be initiated following completion of the risk and resilience assessments (the federal certification deadline is December 31, 2021).

Community/Public Relations

General

- Website
The District's web content is being updated on a regular basis, including regular posts specific to District operations in response to the COVID-19 pandemic.
- Social Media
Posts are being made to District Facebook and LinkedIn pages regularly; Nextdoor is regularly monitored for District-related posts.
- Press Releases
Press releases will be issued, as appropriate, throughout 2021.

Intergovernmental Relations

- *J Clary's representation of WASWD at various virtual convenings of the Washington's Growth Policy Framework Update concluded in December.*
- *J Clary contacted the Sudden Valley Community Association interim general manager and offered to provide a presentation on the District history/services and 2020-2021 projects to the board of directors. Anticipating the presentation in the January-February timeframe.*

Public Works Board

- Pursue appointment as WASWD representative on the Washington State Public Works Board.
To be pursued when the application process for the vacant position opens in spring 2021.

Lake Whatcom Water Quality

Management Program

- Participate in meetings of Lake Whatcom Management Program partners.
J. Clary assembling District-specific reporting data supporting development of the 2020 annual report.

Onsite Septic System Conversion Program

- Pursue connection of the one remaining septic-served parcel located within 200 feet of District sewer system identified in the memorandum to the Board dated April 9, 2020.
To be initiated.