

**Jefferson County Department of Community Development
Port Hadlock Wastewater System Design**

**Sewer Advisory Group
September 9, 2009, 1:30 PM – 4:30 PM**

Location: Jefferson County Library, Humphrey Room

Approved Meeting Summary

Welcome, Introductions, Review Meeting Agenda, and Meeting Summary Approval

Meeting facilitator Bob Wheeler from Triangle Associates welcomed the Sewer Advisory Group (SAG) and provided some context for the formation of the SAG. SAG members, the Jefferson County Department of Community Development (DCD) and the Tetra Tech consultant team went around the table and made introductions (see Attachment 1 for a list of attendees).

Bob Wheeler reviewed the agenda and outlined the purpose of SAG, including its role in providing feedback to the consultant team and Jefferson County, to educate and inform the public, to provide recommendations for key sewer policies and ordinances, and to identify key factors for design standards. The Advisory Group's presumption is that the wastewater system will be designed and built.

The Advisory Group reviewed the August 11, 2009 meeting summary. One SAG member asked to change the word "equity" to "equitability" on page 5 of the summary. The Group discussed whether wastewater system ownership should exist with the County and operations and management should go to the PUD. An addition to Attachment 2, "Tracking and Summary of SAG Recommendations," will be made to include a recommendation to designate the PUD as the billing agent. No additional changes to the meeting summary were requested and it was approved with the stated changes by consensus.

Bob Wheeler discussed Attachment 2 (see below) "Tracking and Summary Table of SAG Recommendations," and indicated to the Group that this table will serve as a summary of the recommendations and advice from SAG members to Jefferson County.

Updates

Joel Peterson updated the Advisory Group on the Western Washington Growth Management Hearings Board decision noting that the general sewer facility plan was found compliant. One remaining element left to address relates to implementing urban development standards in the growth area and the need to identify interim rural zoning and interim rural development standards. Jefferson County is on a schedule to make the required changes to its code and to report back to the Board by mid-November. The Jefferson County Planning Commission will conduct a review on September 16. Additionally, Joel mentioned that a second appeal was filed with the Western Washington Growth Hearings Board. Both the appellants and the County agreed with the Hearings Board to put this latest petition on hold until the resolution of the first appeal.

Katy Isaksen noted that the U.S. Department of Agriculture (USDA) approved a \$25,000 Rural Development Predevelopment Grant. She explained that this grant is significant for project funding for three reasons: (1) Representative Norm Dicks sent a letter to the undersecretary of USDA endorsing the project; (2) USDA Rural Development Program funding sources has been identified by the project team as a target program for wastewater system construction; and (3) USDA is reluctant to select projects and then let them fail. Thus USDA should have an interest in continuing to fund the wastewater system to ensure its successful completion.

Presentation, Discussion, and Recommendations on Policies/Ordinances

Katy Isaksen provided an explanation of the financing and cash flow proposal presented in the Facility Plan for the wastewater system. She noted that the estimated rolled up connection cost per equivalent residential unit (ERU) was \$20,900 and explained that if the project team is successful in acquiring up to 45% grants for residential connections that the average cost per hookup would drop to about \$14,000 per ERU. Finding other sources of low-cost financing would bring the capital costs down as well. In addition, an estimated monthly rate of \$60 per ERU will be necessary to fund the operations and management costs.

The Advisory Group discussed operations, maintenance, billing, and administration. SAG members talked about the Jefferson County planning figures for baseline population and population projections for the future growth rates. These figures provided a projection of current and future residents that would tie into the wastewater system design. Discussion included potential scenarios if certain areas, or residents, of the UGA did not ultimately tie-into the system.

Katy Isaksen reviewed the policies and ordinance issues that the SAG will be considering and making recommendations during the four-meeting process:

Policy and ordinance issue	SAG Meeting schedule
Connections to system	SAG Meetings #1 & 2
System management	SAG Meeting #2
Cost allocation	SAG Meeting #2
Rate structure	SAG Meeting #3
Ancillary services/requirements	SAG Meeting #3
Sewer availability	SAG Meeting #4
Extension of system	SAG Meeting #4
Recap of SAG recommendations	SAG Meeting #4

She then transitioned into the presentation topics scheduled for this meeting and asked SAG members for advice on policies and ordinances. Four questions for SAG members were asked to consider at the September 9 meeting included:

1. Capital Cost Recovery Methods - Local Improvement Districts (LID/ULID)
2. Monthly rates – how to structure the rates?
3. Monthly rates – what discounts to allow?
4. Mobile tank/Septage/RV Disposal

Katy gave an overview of ways to provide feedback, advice, and recommendations.

Capital Cost Recovery & Utility Local Improvement District (ULID)

Katy Isaksen reviewed the methods of recovering capital costs for SAG members to consider. (Please see the meeting PowerPoint presentation for a complete outline of her presentation, available at www.porthadlocksewer.org/Advisory_Group.htm). These included connection charges (property owner pays upon connection to the system), Utility Local Improvement District (ULID) assessments (costs spread among property owners and financed over 10-20 years), or repaying the borrowed construction funding through monthly rates. Repaying debt through monthly rates does not work well with a new system and this option is not recommended at the beginning. The financing plan focuses on the two options connection charges and ULID assessments.

She noted, as recommended in the Facility Plan, that by using a ULID to fund local collection system costs, Jefferson County would borrow money to construct portions of the local collection system by selling ULID bonds. Each of the properties in the UGA that would be part of a specific ULID would be assessed their fair-share of the bond repayment. This would be repaid through an annual assessment on their property over a 20-year period. The ULID is unique for financing because it allows the property owner to pay for the assessment over time without having to go out and obtain their own financing (such as a home equity loan) Her presentation sought to explain to Advisory Group members the rationale for using ULIDs, their benefit as a tool for the County to use so that it can borrow money to fund the system, the benefits of distributing the costs of the system over a longer period of time (20 years), and the benefits of ULIDs to provide another vehicle for wastewater system customers to finance their local capital costs.

Comments, questions dialogue, and responses from the discussion included:

- In response to one SAG member question, the project team explained that using a municipal general obligation bond for funding is typically a more costly method of financing available to the County than grants and low-interest loans. If the project cannot acquire low-interest loans, then bonds would be the next option. It was noted that in the initial start-up phase of the project, it would be difficult to issue revenue bonds because of the small customer base that would be required to carry a large amount of bond debt.
- One SAG member wondered how the wastewater system could be paid for without having the entire UGA connected immediately. Katy Isaksen noted that a cash flow analysis was previously completed in the Facility Plan, which evaluated the planned phasing scenario. She also explained that the estimated \$20,900 cost for a new connection was the resulting figure of the analysis that assumed the project's total planned costs divided by the project's total planned connections.
- The project team noted that the boundaries of the ULIDs are not set at this time, but that they will be determined during the current predesign phase, at least for the earlier ULIDs. Future ULID's would be formed based upon needs of the community and the planned implementation of the Facility Plan.
- A SAG member inquired how Jefferson County would handle enforcement issues regarding residents hooking up to the wastewater system. Bob Wheeler referred to SAG recommendations and considerations concerning "connections to system" that were discussed at the second SAG meeting (see attachment 2 for a table of the recommendations).
- SAG members discussed how ULIDs could be approved or rejected by the public.
- Some SAG members noted they liked the ULID financing method because it would provide more funding options for residents.
- SAG members discussed talking with U.S. senators to acquire federal funding for this project. It was noted that Representative Dicks was taking the lead on federal funding for the wastewater system instead of the state's U.S. senators. And in fact, that Representative Dicks has placed the project on the Interior Bill for \$1Million grant. The grant will not be finalized until passage of the Bill that will be going through the federal process this fall. It was also noted that the County had been in contact with both Washington Senators and State legislators.
- A SAG member commented that maybe the whole system should be built right up front and funded with a large ULID.
- One SAG member expressed concern that this is a County-driven process, which is saving open space throughout the county at the expense of Port Hadlock UGA residents. The member said that the entire County should pay for some portion of the project because the entire County will benefit from it.
- The project team clarified that for private on-site facilities, public funds cannot be gifted to private property, but low-interest loans may be offered through a potential loan program that could be funded through a grant.
 - In response to the assertion that public money cannot be gifted to benefit private property; a SAG member noted that often the federal government does provide financial

support to individual homeowners on projects, such as weatherization. A point of clarification is that state money is different than federal money and cannot be gifted for on-site improvements.

- One SAG member discussed ways to support non-profit entities that help low-income housing in the community.

Capital Cost Recovery (ULID) Recommendations

Katy Isaksen then presented a set of potential recommendations (see the September 9 SAG meeting PowerPoint presentation available on the Port Hadlock website). For the recommendations and considerations that were examined and tentatively approved by SAG members, please see Attachment 2 of this meeting summary.

Monthly Rate Structure

Katy Isaksen then reviewed the content for SAG members to consider regarding monthly rate structures (Please see the meeting PowerPoint presentation for a complete outline of her presentation, available at www.porthadlocksewer.org/Advisory_Group.htm). In posing the question to the Advisory Group of how to structure monthly rates, Katy provided several alternatives (e.g., rates by ERU, flat rates, base rates, rates by volume, average winter water use rates, two tiered rates, along with differences between commercial and residential, and multifamily as residential OR commercial) and factors to consider when evaluating the alternatives (administrative costs; equity; rate predictability vs. variability). Comments, questions dialogue, and responses from the discussion included:

- In response to questions about whether or not the rate structure should be based on the strength of the waste, the project team explained that waste strength was typically associated with commercial entities like grocery stores, breweries, and other similar entities. Wastes, including milk and blood (such as from the dairy and meat departments in a grocery store), require more treatment capacity at a treatment plant than a more standard waste stream from a residential connection. To account for this difference, a strength surcharge could be added in addition to the volume of wastewater produced for certain commercial customers. Additionally, waste strength can be categorized and sub-categorized to help provide a consistent rate structure based on the type of business (and the typical strength of the activity's waste) in question.
- In response to a question about how schools are classified, it was noted that for some jurisdictions schools are simply classified as commercial and other small jurisdictions calculate according to ERU. It was also noted that schools with or without food preparation facilities could be classified differently for waste strength.
- The Group discussed using a 3-tiered system for residential. Analyzing water usage was seen as important. Some members commented that a 2 or 3 tier rate structure might be best to help reward conservation.
- A suggestion was made to complete an investigation on the water records for existing accounts in the area to determine whether variations in usage amongst customer groups would result in a suitable application of a tiered rate structure. This could change over time as more residential connections were made.
- In response to a question about whether government buildings received discounts it was noted, that for water in Port Townsend, governments are actually charged more to offset the fact that governments do not pay property taxes even though they receive the same services that residential and commercial buildings do.

Monthly Rate Structure Recommendations

Katy Isaksen then presented a set of potential recommendations (see the September 9 SAG meeting PowerPoint presentation available on the Port Hadlock website). For the recommendations and considerations that were examined and tentatively approved by SAG members, please see Attachment 2 of this meeting summary.

Multifamily Rates

In addition to the monthly rate discussion, Katy Isaksen presented a table of potential multifamily recommendations for SAG members to consider regarding multifamily rates. Comments, questions dialogue, and responses from the discussion included:

- SAG members discussed how rate discounts could be passed on from landlords to low income and senior citizen residents. A number of concerns regarding ensuring that the discounts offered were being received by those intended (tenant vs. property owner) and enforcement were raised.
- The project team noted that giving mobile home parks commercial rates could actually amount to less than the one ERU per single-family residential home proposed for the residential rate structure.

Multifamily Rate Recommendations

Katy Isaksen then presented a set of potential recommendations (see the September 9 SAG meeting PowerPoint presentation available on the Port Hadlock website). For the recommendations and considerations that were examined and tentatively approved by SAG members, please see Attachment 2 of this meeting summary.

Monthly Rate Discounts

Katy Isaksen then reviewed the content for SAG members to consider regarding monthly rate discounts (Please see the meeting PowerPoint presentation for a complete outline of her presentation, available at www.porthadlocksewer.org/Advisory_Group.htm). She posed the question of who should be offered discounts to monthly rates and then laid out several alternatives and considerations for SAG members to evaluate. Comments, questions dialogue, and responses from the discussion included:

- Joel Peterson noted that he had explored financial assistance programs in the context of telephone services. He explained that a financial assistance program may be able to be recreated for a wastewater system, as well.
- A concern was voiced regarding equity and who would benefit (particularly landlords who offered substandard housing) with rate discounts.

Monthly Rate Discount Recommendations

Katy Isaksen then presented a set of potential recommendations (see the September 9 SAG meeting PowerPoint presentation available on the Port Hadlock website). For the recommendations and considerations that were examined and tentatively approved by SAG members, please see Attachment 2 of this meeting summary.

Mobile Tank Disposal/Septage Disposal/RV Disposal

Kevin Dour then reviewed the presentation regarding whether or not the system should accept mobile tank disposal/septage/RV disposal (Please see the meeting PowerPoint presentation for a complete outline of the presentation, available at www.porthadlocksewer.org/Advisory_Group.htm). The question that Advisory Group members considered was the advantages and disadvantages of whether or not the wastewater treatment system should be designed to allow for mobile tank disposal/septage disposal/RV disposal. Comments, questions dialogue, and responses from the discussion included:

- One SAG member noted that some individuals now transport their RV waste to Port Townsend.
- SAG members discussed the efficacy of onsite sampling devices to ensure that unwanted or illicit substances did not enter the wastewater system. It was noted that it is possible to get some indication of the contents disposed, but not always everything.
- It was noted that disposing unwanted or illicit substances into the wastewater system from residential or commercial locations was relatively easy to track.
- The project team noted that this service could be seen as an economic development tool to promote tourism (i.e., easy RV disposal for visitors) and other economically beneficial activities.

Mobile Tank Disposal/Septage Disposal/RV Disposal Recommendations

SAG members were then presented a set of potential recommendations (see the September 9 SAG meeting PowerPoint presentation available on the Port Hadlock website). For the recommendations and considerations that were examined and tentatively approved by SAG members, please see Attachment 2 of this meeting summary.

Technical Update

Kevin Dour updated SAG members that the project team is moving forward on progress in evaluating site characteristics. In addition to the project team activities, Jefferson County is determining a course of action for discussion/negotiation with property owners.

Kevin Dour then gave an update on the MBR equipment bidding process that he reported on at the August meeting. He explained that the project team had evaluated all three of the membrane bioreactor (MBR) technology proposals submitted and told SAG members that he was hoping by the end of the week to make a recommendation on which MBR technology the County should choose. He said that the project team looked at lifecycle costs, the number of treatment plants using the proposer’s technology across the U.S., as well as local installations, and the financial stability of the proposer’s company in the evaluation process.

- One SAG member asked about alternative technologies beyond the MBR process, such as hypochlorite and ultraviolet disinfection. Kevin Dour said the project team planned to consider ultraviolet disinfection because of recent discussions and guidance from the State Department of Health to explore using this as a disinfection technology.

Wrap Up & Next Steps

Bob Wheeler noted the date and location for the final SAG meeting:

- Tuesday, October 6 (Spruce Room – WSU Extension Offices)

He then mentioned next steps for the October 6 meeting, including discussing additional policy issues and reporting back to the SAG on future updates.

Adjourn

Bob Wheeler thanked SAG members for their input and adjourned the meeting at 4:45 p.m.

Attachment 1: Meeting Participants (still need to update on Monday)

SAG Members

Name	Organization
Steve Brown	Chimacum Schools
Ken Clow	City of Port Townsend
Larry Crockett	Port of Port Townsend
Craig Durgan	Citizen
John Keegan	Citizen
Mike Langley	NOSC
Bill Mahler	Northwest School of Wooden Boatbuilding
Ken McMillan	Jefferson Count PUD #1
Bill Miller	Jefferson County Planning Commission
Mike Regan	ICAN
Dana Roberts	Jefferson County PUD #1

Hank Rogers	Citizen
Chuck Russell	Valley Tavern
Ray Serebrin	Jefferson County Library
deForest Walker	Olympic Community Action Programs (OlyCAP)
Joni Williams	Citizen

County Staff and Consultants

Name	Organization
Frank Gifford	Jefferson County Public Works
Joel Peterson	Jefferson County Department of Community Development
Kevin Dour	Tetra Tech
Katy Isaksen	Katy Isaksen & Associates
Blake Trask	Triangle Associates
Bob Wheeler	Triangle Associates

Attachment 2: Tracking and Summary Table of SAG Recommendations

Topic	SAG Recommendation	Mtg. no.	Notes
Simple vs. Complex Rates	A balance between simple and complex, with a lean toward simple sounds appropriate	1	This is an initial decision pending further consideration of policies.
Simple vs. Complex Rates	It is reasonable to base rates on water usage	1	
Simple vs. Complex Rates	Potentially develop 4-5 categories of rates for households and commercial users	1	
Simple vs. Complex Rates	Predictable rates are preferable.	1	
General	To carefully consider unintended consequences to the extent possible as they evaluate policies and make recommendations.	1	
Connection to System	For New development/major modification <ul style="list-style-type: none"> • Connection required as set by development regulations (connect when sewer phase is available, within 200 feet, or may install an interim on-site system and sign a no-protest agreement for potential local improvement districts that may be formed in the future.) 	2	
Connection to System	For Interim on-site systems <ul style="list-style-type: none"> • Connection required as set by development regulations (connect within 1 year of availability) 	2	
Connection to System	For Failed septic systems <ul style="list-style-type: none"> • Connection required as set by public health (connect when sewer is available) 	2	Should consider enforcement issues.

<p>Connection to System</p>	<p>For Existing Buildings</p> <ul style="list-style-type: none"> • Connection required within [60] days of notice of sewer availability • County should seek financial assistance/programs for low-moderate income residents 	<p>2</p>	<ul style="list-style-type: none"> • Build in incentives for people to connect earlier. • There should be a relationship to the cost and complexity to the time required to connect. • For existing buildings: Given that the buildout will occur over a number of years, a communications element should be implemented to give property owners advanced notice. This will avoid the first communication with property owners being only 30 days before the connection requirement. Working with individuals to give them advanced notice will be important. This could include education, finance options, etc. There needs to be some ability or option for the resident to be proactive. This will reduce the issue and may lessen the potential hardship of a 30 or 60 day notice. • The number of days notice requirement should be a function of how long it takes someone to get a loan. 60 days should be appropriate. • Concern about 60 days being okay for financing issues. • Make some provisions in the policy to incorporate variances – and some flexibility – into the system (possibly for extreme hardship cases or special circumstances).
<p>Side Sewer</p>	<p>Responsibility should change from public to private at the property line</p> <ul style="list-style-type: none"> • Require sewer permit for connecting building sewer to public sewer • Considers ability of property owners to connect to stub at property line • Require a stub or tee for utility maintenance access at property line • Keep integrity of sewer mains and service stub outs within the County right-of-way the responsibility of the utility • County should consider licensing side sewer contractors 	<p>2</p>	<ul style="list-style-type: none"> • Find out from Jefferson County Public Works as well as WSDOT what their policies/rules for side sewers work (cuts in the Right-of-Way) would be. • Explore if there an allowance for private prop owners to do their own work?
<p>System Management</p>	<p>County will <i>own</i> the system.</p>	<p>2</p>	<ul style="list-style-type: none"> • This is in accordance with the Facility Plan. • Consider other options, such as the PUD owning the system.
<p>System Management</p>	<p>Principles:</p> <ul style="list-style-type: none"> • Seek to protect County and customer investment • Seek efficiencies and savings in the cost of operations and administration 		

System Management	Contract billing services using the Jefferson County PUD #1 as the billing contractor should be a preferred approach	2	The PUD is the water provider and source of billing data, they already bill the water customers, and are local in the community
System Management	System operation and maintenance (contract or in-house)	2	County should consider contracting for services based upon best available price Consideration should be given to contractors who are resident (or their key employee's reside) within Jefferson County
Cost Allocation	General costs include those facilities serving the general system and benefits all customers: treatment and recharge system, influent pump station with force main, mainline sewer pipes greater than 8"	2	<ul style="list-style-type: none"> • Make sure that those who pay at the start are not paying a higher cost than users connecting on to the system later. • The cost allocation system needs to be fair – concern about threatening low income housing starts.
Cost Allocation	Local costs include those facilities serving and benefiting a local area: 8" collection pipe, local pump stations	2	<ul style="list-style-type: none"> • 8" sewer pipes are the minimum size allowed according to DOE standards.
Cost Allocation	Private on-site costs include those facilities serving and benefiting individual properties to be paid by private property owners	2	<ul style="list-style-type: none"> • Low income issues need to be considered. • Seek opportunities to lessen the burden of on-site and connection costs to low income residents.
Capital Cost Recovery	<p>For capital costs that do not receive grant funding:</p> <ul style="list-style-type: none"> • General Facilities to be paid by connection fee • Local Facilities to be paid by connection fees <u>OR</u> by Utility Local Improvement District (ULID) assessment • Private On-Site Facilities to be funded by property owners 	3	<ul style="list-style-type: none"> • Build the entire system at once might make sense. • Maximize efforts to acquire grants to fund the wastewater system. • If built over time, more septic systems will need to be replaced. • Look at low-cost financing opportunities for private on site facilities and how to deal with non profit & low-income residents.
Capital Cost Recovery	County should seek methods of increasing the ability of customers to finance their share	3	
Capital Cost Recovery	SAG recommends making ULID available as a financing method	3	<ul style="list-style-type: none"> • ULID provides an additional method to finance costs, so this is recommended. • Consider constructing the entire system at once and funding it using a large ULID.
Monthly Rate Structure	• Keep balance between simple administration and equity to customer classes	3	
Monthly Rate Structure	Make sure the rate structure works on the billing system	3	<ul style="list-style-type: none"> • If the PUD or any other entity is the billing contractor, work with that entity to make sure whatever monthly rate structure is used works with any existing billing system in use, for instance for the water system billing.

Monthly Rate Structure	Residential – Use a flat <u>OR</u> two-tier system, and consider a three-tiered system if there is a wide variation in water use within a customer class.	3	<ul style="list-style-type: none"> •What do the water records show? If there a wide volume of flow – may want to go to 3-tier system. •When there is an incentive folks will use less water
Monthly Rate Structure	Commercial – – increase by volume/ERU – simple increase by user class waste strength – minimum of 1 ERU	3	<ul style="list-style-type: none"> •Non profit perspective – not necessarily commercial •The school – look at by volume and not strength (no cooking onsite) •Recognize Pharmaceuticals and Personal Care Products (PPCPs) and their impact on water quality.
Multifamily Rates	Single family home – Residential Duplex – Residential Mobile home not in designated park – residential Townhome, condo – residential Accessory Dwelling Units – with main residence Apartment building (3+ units) – commercial Mobil home park – commercial Hotel/motel – commercial Institutional (school/church) – commercial Mixed use residential & commercial – commercial or mixed depending on how meters are set up.	3	<ul style="list-style-type: none"> •Allow for some flexibility on mixed use residential & commercial. Should be based on how meters are set up, which would allow for two different options or categories to choose from.
Monthly rate discounts	The County should: <ul style="list-style-type: none"> ▪ Consider offering monthly rate discounts to low-income seniors, low-income disabled that own their homes, and/or non-profit that rent to low income /disabled ▪ Qualification should be coordinated with either the Assessor’s tax exemption program or the contract billing agency’s program (such as the PUD) 	3	<ul style="list-style-type: none"> •In first bullet add “and/or non-profit that rent to low income /disabled” •Look at existing programs that offer discounts (phone, PSE, OlyCap, LIAP) as example programs. •For commercial accounts that rent to low income, are they not eligible for rate discounts?
Mobile Tank Disposal/Septage Disposal/RV Disposal	<ul style="list-style-type: none"> •The County should leave this option open during design. •Restrict sources: only from in-County, only septage, licensed haulers, RV’s? 	3	<ul style="list-style-type: none"> • It is important to hear from Public Health about concerns on what might be discharged to the system. •Licensed haulers only. •Need to maintain due diligence on this issue, but keep as an option for now.