

Port Hadlock Wastewater Working Group (WWG) Meeting

Friday, March 6, 2020 | 1:00 pm– 3:30 pm | Chimacum Fire Hall, Chimacum, WA

Meeting Summary

Welcome and Opening

Craig Durgan, WWG Chair and property owner opened the meeting. He highlighted that the WWG is working on initial sewer policy recommendations to Jefferson County and at the last meeting the group discussed when property owners should connect. Craig noted the purpose of this meeting was to discuss the method for determining System Development Charges (SDCs), which property owners would pay to connect to the system.

Jefferson County Update

Monte Reinders, Jefferson County Public Works Director announced:

- Jefferson County is working to update its county-wide Comprehensive Plan (Critical Areas Ordinance) and re-establish GMA compliance. The County received a State Grant last year for design of the treatment plant and design of the initial collection system. However, Public Works Board would not administer the design grant until the County is GMA compliant. The legislature is working to maintain this grant through the upcoming budget cycle as the County completes steps to become GMA compliant.
- This funding should be available around June if the grant funding is passed in the current legislative budget. [Note: Subsequent to the meeting, the state budget was adopted and funding for the Port Hadlock sewer design was included in the final approved budget.]

Sewer Ordinance and Policy Tracking Document

Thomas Christian, consultant team, reminded the WWG that they are reviewing policy questions and working on recommendations to Jefferson County, which will be considered in the development of a sewer system ordinance. The ordinance will identify:

- When property owners would need to connect.
- How much property owners would need to pay in SDCs in order to connect.
- How monthly Operation and Maintenance (O&M) charges will be calculated and charged.
- Other sewer operational and administrative policies.

Clarity on these policy questions will help property owners develop a more accurate understanding of how much they would have to contribute to the cost of the proposed wastewater system. It will also help Jefferson County understand how much the community can contribute as a whole and how much outside grant funding is needed. As owner of the wastewater system, Jefferson County will be the ultimate decision-maker regarding policies that will be included in a Sewer Ordinance.

Thomas reviewed with meeting participants the materials in the meeting packet. He specifically highlighted the Policy Tracking Document which was developed after the December meeting and captured the policy suggestions from the WWG.

Thomas emphasized that developing policy recommendations to the County will be a multi-meeting process. He noted the Policy Tracking Document highlights where WWG small groups generally agreed on recommendations but where more discussion may be needed.

System Development Charges (SDC)

Katy Isaksen, consultant team, introduced SDC considerations and the question – “*What method should be used to determine SDCs?*” Katy explained the following:

- An SDC, also known as connection charge, is paid by all new or upsized connections for the right to connect to and make use of the sewer system. The SDC funds the common and shared costs for the treatment plant and recharge facilities.
- The simplest method for calculating SDCs would be a flat rate regardless of property type, water use, sewage output, and any other variables. This would be easy to administer and would have low administration costs, but it would not be fair to those customers that produce relatively little sewage.
- The fairest method to determine connection charges would be for the County to perform a case by case evaluation of each property (evaluate water use, type of home or business, and other considerations that would affect wastewater strength, etc.), but this would be complex and costly.

Katy explained that as a compromise, utilities often sort customers into categories (known as customer classes) to keep the method relatively simple and relatively fair. There are many options for how to set up an SDC methodology. The method does not have to be the same for all property types/customer classes (commercial, residential, etc). For more details, see the see attached SDC policy discussion guide (Attachment A: *Connection Charge Discussion Guide*).

Katy introduced a document that compared SDC methodology and related policies between five sample wastewater systems including Belfair, Sequim, Carlsborg, Port Townsend and the Kitsap County sewer.

Monte introduced an Excel document, *LID and Connection Charge Scenarios*, that listed each property in the Core Area and its:

- Example Local Improvement District (LID) assessment charge at 50 percent of the Special Benefit.
- An SDC option using winter water use data.
- An SDC option using meter size.
- An SDC option using units for residential and meter size for non-residential.

Monte noted the LID Assessment (which would fund a portion of the local collection system costs) is a separate payment from the SDC (which funds common and shared facilities) and is listed on the document for reference purposes. While today’s discussion focuses on System Development Charges (connection charges) it is important to remember that ultimately the cost to connect for each property will include an LID assessment, a SDC (connection charge), and private on-site costs to connect from the building to the collection lines in the street.

Discussion Points

- In response to a question, Monte clarified that all properties in the Core Area would receive a LID assessment, based on the special benefit (increase in property value) of having sewer available regardless of when the property owner connects.
- In response to a question about working with the Navy on Indian Island, Monte explained additional discussion would be needed and it would be expensive for the Navy to connect. Kevin Dour, consultant team, also noted that if wastewater from Navy ships is mixed with saltwater, it could not be pumped into the Port Hadlock system because it would affect processing the wastewater at the treatment plant. [Note: Subsequent to the meeting, the Navy performed its own analysis of this question and determined that “*Our current facilities already meet our requirements and is the most cost-effective solution for the Navy.*”. Therefore, the Navy is declining to participate.]

- In response to a question about changes in zoning resulting from sewer connections, Kevin Dour affirmed that if the sewer is built, many Core areas properties would be up zoned. For zoning change information, Kevin pointed meeting participants to Figures 4 and 5 (Pages 3-1 and 3-2) in the [2019 Wastewater System Value Engineering Review](#). This information is also available on the sewer website.

WWG Small Group Discussion on SDCs

Thomas introduced an SDC policy question guide (see Attachment A) to the meeting participants. Participants broke out into three small groups to discuss recommendations using the policy question guide.

After the breakout group session, Bob Wheeler, consultant team, reconvened the meeting participants and facilitated a report out from each of the three groups whose comments were live captured in the Policy Tracking Document. During the report out, the groups recommended different options for residential, commercial, and multi-family SDC charges, and provided input on how a multi-family structure could be classified. (See *WWG Policy Tracking Worksheet v. 3.20.20*).

The small groups also suggested there be a policy for properties with variable sewer output during the week (churches) and that there should be a policy where owners of a vacant property could pre-purchase SDCs to help with initial costs, and then be able to connect to the sewer (or possibly sell them, if permitted) at a later date. Meeting participants identified that both policy considerations would need further discussion.

Review of Previous Policy Recommendations

At the December 2019 meeting, the Wastewater Working Group (WWG) discussed when property owners should be required to connect and pay SDCs. Bob led the WWG through a review of the Policy Tracking Document and the small group recommendations discussed at the December meeting.

The WWG agreed to the following initial recommendations:

- For existing structures, an ERU should be around \$5,000 for all property types/customer classes.
- Financing should be available for residential and commercial property.
- If the septic system fails, the property is required to connect immediately.

It was noted there would need to be a strong legal reason to assign different ERU dollar amounts for different ERU customer classes.

The WWG discussed requirements for when structures with “newer” septic systems might be required to connect. The WWG will need further discussion on this topic to reach a consensus on a policy recommendation.

Action Item: Jefferson County will review the existing policy that requires review of an existing septic system during remodel/redevelopment.

Action Item: Jefferson County/Consultant Team will work to identify the meaning of “change of use” as it is relevant to when structures with existing newer septic systems would be required to connect.

Action Item: Consultant Team will look at options for how churches are often charged SDCs.

Next Steps

Bob explained that Jefferson County and the Consultant Team would clean up the comments captured in the Policy Track Document, highlight topics for further discussion, and send it out to WWG.

The meeting was adjourned at 3:35 pm.

Attendees*Working Group/Members of the Public*

Bill Dean, Northwest School of Wooden Boat Building
Craig Durgan, Property Owner, and WWG Chair
Duke Shold, Shold Excavating
Irene White, Property Owner
Kathy Morgan, Property Owners
Kay Kassinger, Peninsula Housing Authority
Paula McAvoy, Joy Luck Restaurant Property Owner
Ryan Tillman, Property Owner
Sarah Martinez, Peninsula Housing Authority
Scott Tillman, Property Owner
Scott Rosekrans, Community United Methodist Church, Pastor

Jefferson County PUD

Commissioner Dan Toepper, Jefferson County PUD District 3
Samantha Harper, Jefferson County PUD Water Superintended

Jefferson County

Commissioner David Sullivan, Jefferson County District 2
Monte Reinders, Jefferson County Public Works Director/County Engineer

Tetra Tech Consultant Team

Katy Isaksen, Funding/Finance Lead, Katy Isaksen & Associates
Kevin Dour, Project Manager, Tetra Tech
Thomas Christian, Public Involvement, Triangle Associates
Bob Wheeler, Public Involvement, Triangle Associates

ATTACHMENT A

Connection Charge Discussion Guide

March 6, 2020

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Question: What method(s) should be used to determine connection charges?

Introduction

Two overarching questions are: (1) How much can property owners afford to pay for sewer services; and (2) When should property owners be required to connect and pay for their share of the common elements of the system? The answers to these questions are important because they inform the County how much the community can contribute and how much outside financial assistance is needed.

For the WWG to address these questions, individuals will need to know what they will have to pay for and approximately what their overall cost will be. Understanding the method for determining connection charges is an important step in this process.

A connection charge, also known as system development charge, general facilities charge, etc. is paid by all new or upsized connections for the right to connect to and make use of the sewer system. For Port Hadlock, this includes the common and shared costs for the treatment plant and recharge facilities and other necessary costs to obtain approvals, permits, design, construction, construction management, administration, etc.

The attached document includes sample methods for how five local wastewater utilities determine connection charges.

Simple vs. Complex Methods

On one hand, the fairest method to determine connection charges would be for the County to perform a case by case assessment of each property, but this would be complex and costly. On the other hand, the simplest method would be to charge all customers the same amount to connect regardless of the type of structure and use, which would not be as fair.

As a compromise, utilities often sort customers into categories to keep the method relatively simple and relatively fair. The goal is to be clear and straightforward so the method can be applied in an equitable manner to all connections, with consideration of the cost of administration. This question is how?

Potential Methods for Calculating Connection Charges

The methods for determining a connection charge for single family, duplex, multifamily, mobile home parks, commercial, and industrial often use different approaches.

- Winter water use from PUD¹
- Water meter size with ERU factors²
- Monthly average water use from the previous year
- Engineering design table with estimated water use by type of use
- Engineering design table with estimated ERU factors by type of use
- Dwelling/structure type (Residential, commercial, multi-family, etc.)
- Combination – one method for residential, different for non-residential

¹ See Port Hadlock Sewer Charge Scenario #1

² See Port Hadlock Sewer Charge Scenario #2

Question: With this background, what is your preferred method for calculating connection charges for residential (including duplexes), multifamily, commercial uses?

Remember the detailed spreadsheet examples with sample assessments? There are two methods of connection charges to assist with your discussion (turquoise box) – Scenario #1 calculates the connection charge based on water use during winter months, and Scenario #2 calculates with meter size. Note that the total Connection Charge Factors, assuming a minimum of 1 ERU per meter, are quite different with 387 for winter water use and 205 for meter size. The higher the number of ERU’s means the lower the cost per ERU for connection.

Additional Considerations

The connection charge methodology will need to work for all new connections:

- Existing structures with water use history
- Existing structures with private wells
- New development without water use history

Multifamily Types of Connections

There are numerous types of multifamily dwellings in the region. Please consider how these types of connections would be charged under your preferred method. Where is the line between residential and commercial for sewer connections? Plumbing is often a consideration – separate water meter per dwelling or one water meter with multiple dwellings.

- Duplex
- Mobile home (not in designated mobile home park)
- Townhome/condo
- ADU (on site with main residence)
- Apartment (3+units)
- Mobile home park
- Hotel/motel
- Institutional housing/church
- Mixed-use residential/commercial

Jefferson County PUD #1 – As part of your discussion, an additional factor to consider:

If the likely intent is to contract with the PUD for joint water/sewer billing, it may be helpful to be consistent where it makes sense.

- The PUD uses the term System Development Charge for this type of connection charge.
- Residential service is to a building, facility or structure associated with a residence and may be either single or multifamily type. This includes manufactured homes in parks with separate meters. Not included in this category are motels, hotels, and RV parks that have one meter or master meter for multiple units.
- Commercial service is to a building, facility, or structure that is owned and operated as part of a business.