



Laying the foundation  
for a vibrant economy  
and healthy environment

# Discovery Clean Water Alliance



Adopted  
**2019-2020**  
**Operating and Capital Budget**



# **DISCOVERY CLEAN WATER ALLIANCE**

**Clark County, Washington**

## **Adopted 2019-2020 Operating and Capital Budget**



For Biennium Period  
January 1, 2019 through December 31, 2020

Adopted by Resolution No. 2018-03  
Dated: December 21, 2018

Prepared by:  
Clark Regional Wastewater District,  
Administrative Lead



[www.discoverycwa.org](http://www.discoverycwa.org)

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**Discovery Clean Water Alliance**  
**2019-2020 Operating and Capital Budget**

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## **Section 1**

### **INTRODUCTION**

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

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## 1.1 Directory of Officials

The Discovery Clean Water Alliance was formed under the Joint Municipal Utility Services Act (JMUSA), RCW 39.106, on January 4, 2013. The Alliance Interlocal Formation Agreement (IFA) Section IV.B provides for governance under a Board of Directors. IFA Section IV.A and adopted Board Rules and Operating Procedures provide for the appointment of one elected official from each Member agency to serve on the Alliance Board for a term determined by the agency. An annual Director election of Board Officers is held at the first regular meeting of each year and each Board Officer serves a one-year term in the appointed position.

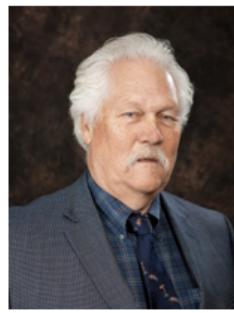
### 2018 ALLIANCE BOARD OF DIRECTORS



Ron Onslow  
Alliance Board Chair  
Ridgefield Councilor



Julie Olson  
Alliance Vice-Chair  
Clark County Councilor



Steven Phelps  
Alliance Secretary  
Battle Ground Councilmember



Norm Harker  
Alliance Director  
District Commissioner

### ADMINISTRATIVE AND OPERATOR SERVICES

Interlocal Formation Agreement (IFA) Section V.A. states that "Alliance staff (if any) and/or a service provider by contract with the Alliance, shall administer and manage the Alliance and the Regional Assets. (A service provider shall be referred to in this Agreement as 'Administrative Lead'). Clark Regional Wastewater District (District), serving as Administrative Lead by contract, will administer and manage the overall affairs of the Alliance through 2024. Clark County (County), serving as an Operator by contract, will operate the Salmon Creek Wastewater Management System (SCWMS) and the Battle Ground Force Main (BGFM) through 2024. The District, also serving as Operator by contract, will operate the Ridgefield Treatment Plant (RTP) and the Regional Biofilter - Klineline Interceptor through 2024.

Section V.B. of the IFA states that the Administrative Lead will "prepare and oversee preparation of the Operating Budgets, Capital Plans, Capital Budgets and proposed Regional Service Charges (based on Financial Policies) for the Board's review and approval." The Administrative Lead coordinates actively with the Operators and Standing Committees throughout these processes to prepare the capital plans and budgets for recommendation to the Board.

Legal counsel to the Alliance is contracted separately and reports directly to the Board. Currently, legal counsel services are contracted with Foster Pepper, PLLC.

Mailing Addresses:

Clark Regional Wastewater District,  
Administrative Lead:

PO Box 8979  
Vancouver, WA 98668-8979

Foster Pepper, PLLC  
Legal Counsel:

1111 Third Avenue, Suite 3000  
Seattle, WA 98101

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

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## 1.2 Budget Message

*Discovery Clean Water Alliance Board of Directors,  
Member Agencies, Customers and Alliance Partners:*

The District, as Administrative Lead for the Discovery Clean Water Alliance, is pleased to present the Alliance Adopted Budget for the biennium period January 1, 2019 through December 31, 2020. This budget is presented in accordance with the Alliance's Financial Policies and direction from the Alliance Board of Directors. Terms and definitions are located at Appendix A, Glossary of Terms, for the reader's reference. The Alliance Board has adopted a series of fiscal categories, objectives and Financial Policies under which to operate in support of the long-term fiscal and organizational health of the Alliance. The policies are contained in an Interlocal Formation Agreement (IFA), which is in place to provide the necessary elements for the Alliance to operate as a regional utility. A summary of the Alliance Financial Policies Framework can be found in this document at Appendix B. The preparation of Operating Budgets, Capital Plans and Capital Budgets, and the determination of Regional Service Charges (RSCs) paid by Members to fund operations, shall remain consistent with these Financial Policies, as well as other Financial Policies adopted through separate resolutions.

The Alliance is legally required to adopt a budget per RCW 39.106.05. The Board of Directors adopts a biennial Operating and Capital Budget in order to both plan and track revenues (sources) and expenditures (uses) for the Alliance's current and future operations. A budget is balanced when the sum of estimated sources equals or exceeds the sum of estimated uses. For the 2019-2020 biennium period, the Alliance forecasts that sources, including Regional Service Charges, bond issuance proceeds, interest and anticipated account balance draw downs, will equal uses.

The budget document is formatted to provide an overview to help readers better understand the Alliance's 2019-2020 adopted budget as a financial framework. Comparisons in this budget are "budget-to-budget" from the adopted amended 2017-2018 budget to this 2019-2020 adopted budget, unless otherwise noted.

### Budget Summary

The 2019-2020 total budget is comprised of an Operating Budget to fund administrative services for the Alliance and to operate Regional Assets, plus a Capital Budget to restore or replace existing Regional Assets and construct or acquire new Regional Assets. Regional Assets (further defined in Section 1.6) that transferred ownership at the Alliance Operations Date (January 1, 2015) include the Salmon Creek Wastewater Management System (SCWMS) consisting of seven assets previously owned by Clark County (County), the Ridgefield Treatment Plant (RTP), previously owned by City of Ridgefield (Ridgefield), and the Battle Ground Force Main (BGFM), previously owned by City of Battle Ground (Battle Ground). Construction of the newest Regional Asset, the Regional Biofilter - Klineline Interceptor, was completed in 2018 and is now fully operational. Costs to operate the ten Regional Assets are the responsibility of the Alliance and will be funded from wholesale wastewater treatment services charged to the funding Members of the Alliance, the District and Battle Ground.

The Adopted Budget for 2019-2020 totals \$40.979 million from all sources and for all uses of funds. Sources include \$22.200 million in Regional Service Charges (RSCs) from the District and \$6.260 million in RSCs from Battle Ground, the two Alliance wholesale customers, as well as \$0.404 million from reserves carryover and \$12.115 million from revenue bond issuance proceeds.

RSCs in the 2019-2020 budget are increasing 23.8% from RSCs in the amended 2017-2018 budget, primarily due to two significant new capital projects now underway as part of the Salmon Creek Treatment Plant (SCTP) Phase 5 Expansion: (1) Phase 5A Project – Columbia River Outfall and Effluent Pipeline will construct a new outfall pipeline and in-water diffuser assembly from the treatment plant to the Columbia River, and (2) Phase 5B Project – Plant Improvements will improve processes to incrementally increase plant capacity and proactively construct odor

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

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control. Construction of Phase 5B will take place over a three-year construction period, 2020-2022, with \$12.115 million of the work slated to take place in 2020. A new revenue bond issuance is planned in 2020 totaling \$22.836 million, from which Phase 5B construction costs will be funded.

Uses in the 2019-2020 biennium include \$2.311 million for administrative services, \$9.944 million for Regional Asset operations and maintenance, \$8.921 million for debt service and \$19.803 million for planned capital program expenditures.

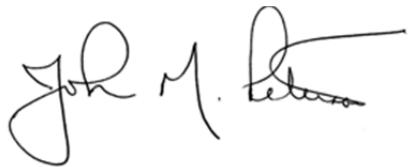
### **Outlook**

The Alliance anticipates that 2019 and 2020 will be increasingly rewarding years as the Alliance continues to transition into active management of its Regional Assets. The budget format presented is a fundamental management tool to assist in both the planning and tracking of Alliance operating and capital expenditures. The Alliance will continue to monitor the various financial activities and explore options for reporting those results in various ways to the Alliance Members, the Board, and the general public.

As Member service areas continue to realize growth and note positive impacts related to the continued economic recovery, the Alliance will continue to monitor economic activity for trends to assess potential future impacts on operations. Each Member has a voice and a vote in the strategic decisions made by the Alliance, and together Members will shape the future of the delivery of this critical urban service for the benefit of the community it serves.

In summary, at its most fundamental level, the Alliance provides a collaborative planning framework for its four Member agencies to jointly own and jointly manage the regional wastewater transmission and treatment infrastructure critical to the environmental health and economic well-being of the region. This 2019-2020 Operating and Capital Budget is one tool to aid in delivery of this vital service to the public.

Sincerely,

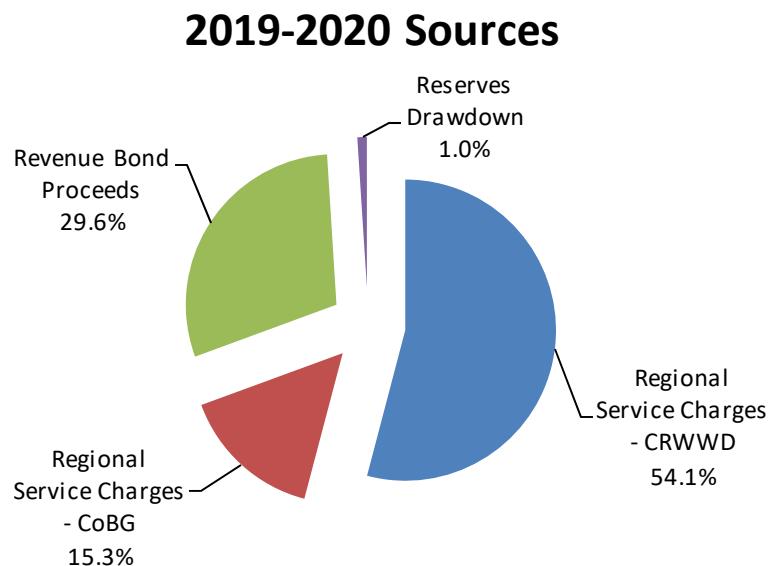
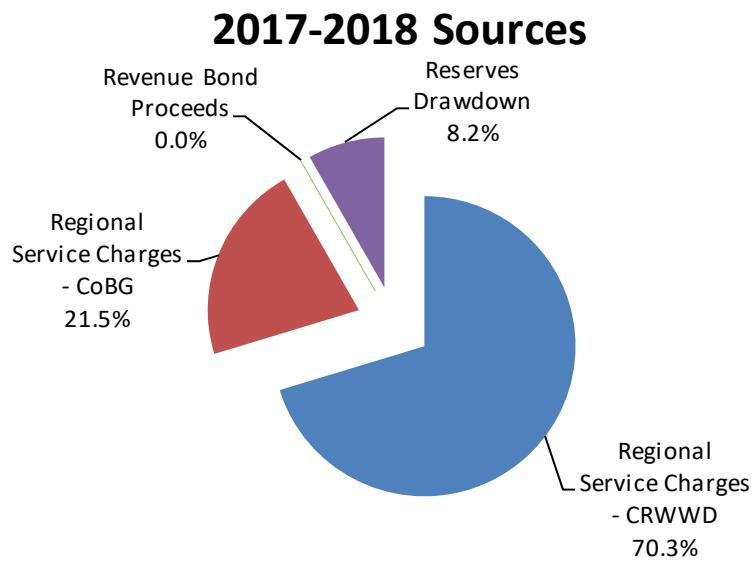


John M. Peterson, P.E.  
General Manager



Ken Andrews, CPA  
Finance Director/Alliance Treasurer

### 1.3 Budget in Brief

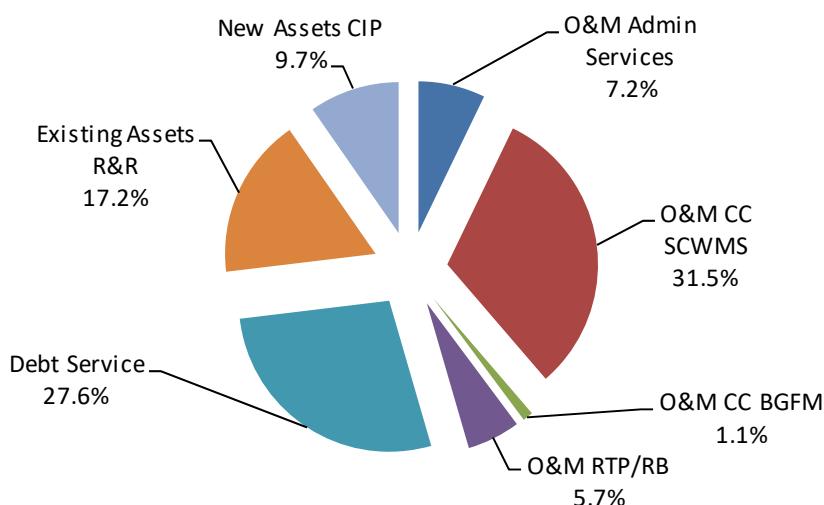


Sources (\$000s)	<b>Amended</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>2017-2018</b>	<b>2019-2020</b>		
	<b>Budget</b>	<b>Budget</b>		
Regional Service Charges - CRWWD	\$ 17,604	\$ 22,200	\$ 4,596	26.1%
Regional Service Charges - CoBG	5,386	6,260	874	16.2%
Revenue Bond Proceeds	-	12,115	12,115	0.0%
Reserves Drawdown	2,060	404	(1,655)	-80.4%
<b>Total Sources</b>	<b>\$ 25,050</b>	<b>\$ 40,979</b>	<b>\$ 15,929</b>	<b>63.6%</b>

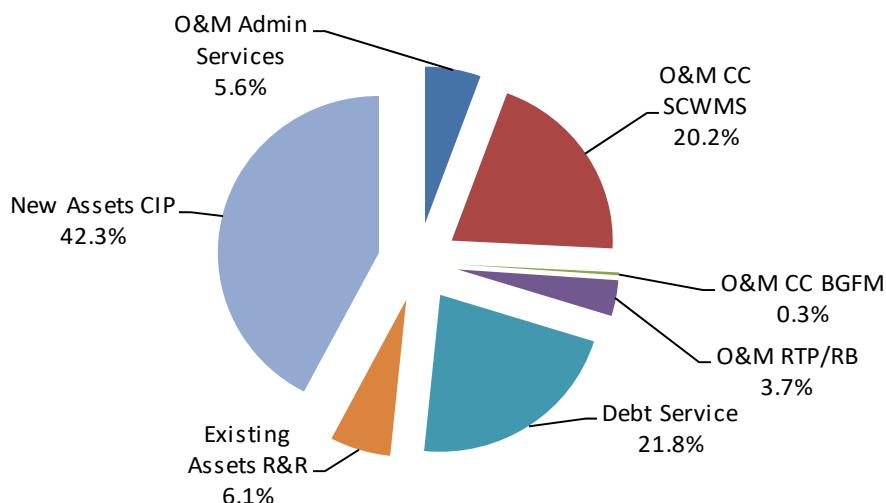
# Discovery Clean Water Alliance

## 2019-2020 Operating and Capital Budget

### 2017-2018 Uses



### 2019-2020 Uses



#### LEGEND

- (CRWWD) Admin Services: (Clark Regional Wastewater District) Administrative Lead Services
- (CC) SCWMS: (Clark County) Salmon Creek Wastewater Management System
- (CC) BGFM: (Clark County) Battle Ground Force Main
- (CRWWD) RTP/RB: (Clark Regional Wastewater District) Ridgefield Treatment Plant/Regional Biofilter

#### Amended

#### 2017-2018      2019-2020

Uses (\$000s)	Budget	Budget	\$ Change	% Change
O&M Admin Services	\$ 1,797	\$ 2,311	\$ 514	28.6%
O&M CC SCWMS	7,894	8,296	402	5.1%
O&M CC BGFM	276	143	(133)	-48.2%
O&M RTP/RB	1,429	1,505	76	5.3%
Debt Service	6,916	8,921	2,005	29.0%
Existing Assets R&R	4,309	2,504	(1,805)	-41.9%
New Assets CIP	2,429	17,299	14,870	612.2%
<b>Total Uses</b>	<b>\$ 25,050</b>	<b>\$ 40,979</b>	<b>\$ 15,929</b>	<b>63.6%</b>

## 1.4 Alliance History

Discovery Clean Water Alliance legally formed on January 4, 2013, representing the culmination of several years of evaluation to determine the optimum long-term framework for delivery of regional wastewater transmission and treatment services to the urban growth areas in the central portion of Clark County, Washington.

The overall Alliance service area represents a number of the high-growth communities within Clark County. Residents and businesses served by the regional wastewater system highly value receiving reliable service at an affordable price from the Member agencies. The Alliance therefore is designed to provide a regional collaboration and decision-making forum that fosters the ability for Member agencies to influence key policy determinations on how best to make needed capital investments and determine operational level-of-service while also maintaining competitive rates and charges to the end users of the system.

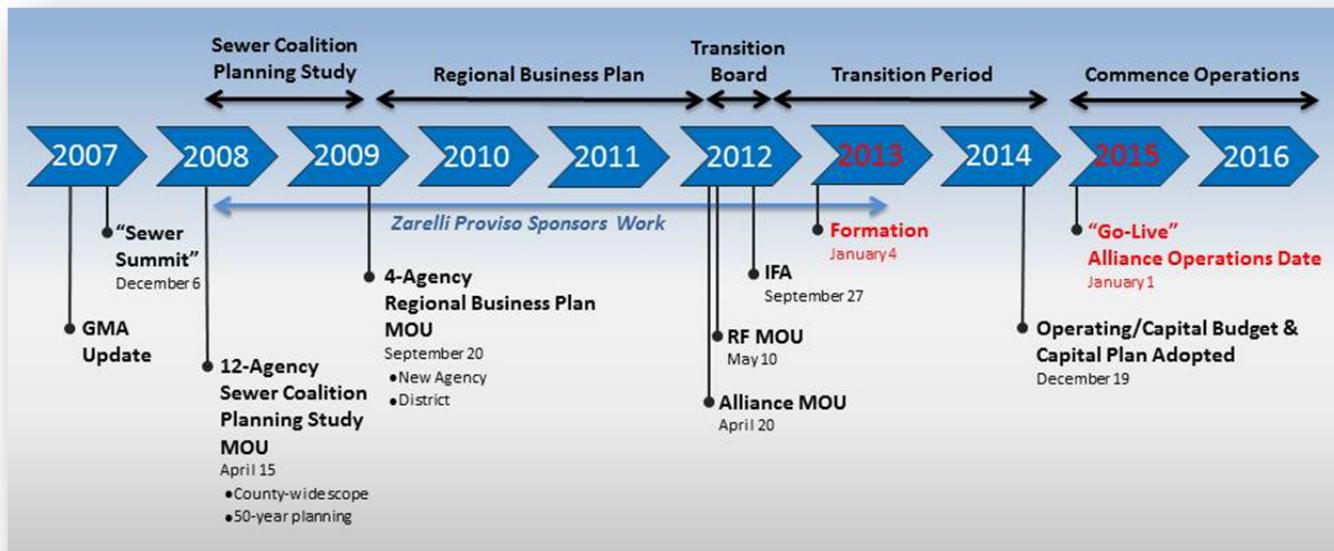
Having managed the region's growth under other service delivery models prior to formation of the Alliance, the Members determined that regional decisions are best made when all stakeholders participate directly in decisions having a material impact to service levels or costs. To that end, the Alliance structure is designed to deliver the following primary outcomes:

- Provide a direct voice and vote for agencies affected by regional infrastructure decisions
- Align the authority to make decisions with the responsibility to pay for the resulting impacts of those decisions
- Provide a forum to determine the appropriate balance between level-of-service and cost-of-service

As currently established, the Alliance serves four Member agencies – City of Battle Ground, Clark County, Clark Regional Wastewater District and City of Ridgefield. The Members jointly own and jointly manage regional wastewater assets under Alliance ownership through an interlocal framework established under the State of Washington Joint Municipal Utility Services Act (JMUSA) (RCW 39.106).

The JMUSA statute was passed by the Washington State Legislature and signed by the Governor in 2011. Following Cascade Water Alliance, Discovery Clean Water Alliance was the second agency in the state to form under this statute. While the Alliance is a regional wastewater transmission and treatment utility today, the statute allows for any form of municipal water-related utility service to be provided and supports any combination of municipal partner agencies as Members. This structure ensures the flexibility to accommodate changing needs of the regional service area over time. A summary of the transition timeline and processes that led to the formation of the Alliance is provided below.

### Alliance Formation Timeline



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## 2019-2020 Operating and Capital Budget

### Key Formation Timeline Events

- **Sewer Summit.** In September 2007, Clark County adopted an updated *20-Year Comprehensive Growth Management Plan*, addressing the future needs of the community. This planning process identified the growth potential and related infrastructure needs of several of the urban growth areas within Clark County. As a result, wastewater service providers in Clark County began to discuss the concept of regionalizing wastewater services to support a healthy environment and to provide infrastructure needed to realize the area's economic development potential. These discussions culminated in a "Sewer Summit" on December 6, 2007, where the idea of studying various regional services delivery models was first endorsed by a broad coalition of local agencies.
- **Sewer Coalition Planning Study.** The Sewer Summit discussions resulted in the *Sewer Coalition Planning Study*, started in 2008 and published in November 2009, with twelve local agencies. This study considered a 50-year vision for growth and infrastructure needs in a county-wide context. The study resulted in a *Memorandum of Understanding (MOU) to Develop the Structure for a Regional Wastewater Entity*. Four of the twelve agencies (today, the Members of the Alliance) agreed in the MOU to move forward to form a new regional partnership. The remaining eight coordinating agencies would continue to coordinate with, and stay informed on, the process. A legislative proviso sponsored by State Senator Joseph Zarelli was utilized to provide for this and the subsequent planning and study work.
- **Regional Business Planning.** In 2010 and 2011, the four agencies conducted a regional business planning effort to explore specific options for how a new regional partnership might be structured, what services it might provide, what assets it might own, how it might be governed and how it might be funded.

This regional business planning effort resulted in a second MOU signed in April 2012, providing agreement-in-principle for the framework of the new partnership. Key elements of the MOU included formation of the new entity under JMUSA (RCW 39.106); use of an asset-based cost allocation model; oversight from a four-member Board of Directors composed of one elected official from each agency; and contracting key administrative and operational responsibilities to the Member agencies best suited to provide those services.



The asset-based cost allocation model consists of three primary types of costs: (1) operational costs primarily shared by actual flow contributions from the Members; (2) capital costs related to existing facilities by capacity allocation or capacity "ownership" by the Members; and (3) capital costs related to new facilities by incremental purchase of capacity as determined by the Members.

- **Alliance Formation.** Building on the April 2012 MOU, an Interlocal Formation Agreement (IFA) was completed in September 2012, providing the necessary framework elements for the Discovery Clean Water Alliance. The IFA was registered with the Washington State Office of Secretary of State on January 4, 2013 to legally form the Alliance.

# Discovery Clean Water Alliance

## 2019-2020 Operating and Capital Budget



The Alliance Board of Directors then met for the first time on January 18, 2013, where a series of initial resolutions were approved to establish the basic operating framework for the new regional authority. Also approved on that date was an initial two-year operating budget to support transition activities in 2013 and 2014. The individuals serving on the Board of Directors at the first official meeting of the Alliance were: Mayor Lisa Walters - City of Battle Ground; Commissioner Tom Mielke - Clark County; Commissioner Neil Kimsey - Clark Regional Wastewater District; and Mayor Ron Onslow - City of Ridgefield. The IFA was amended and restated by resolution on August 15, 2014, to further clarify policies and procedures, and the Alliance assumed full operational responsibility for the Regional Assets on January 1, 2015 (the Alliance Operations Date).

The Alliance is one of several regional water and wastewater agencies providing service to large urban areas in western Oregon and Washington. In much the same way that the boundaries of a natural watershed are different than political boundaries of cities and counties, utility systems are often most efficiently managed on a regional scale serving multiple local jurisdictions. While the corporate structures and functional arrangements vary widely, the Alliance is a peer agency in many respects with the following Pacific Northwest regional water and wastewater agencies shown below:

### Regional Utility Partnerships Located in Oregon and Washington



### 1.5 Alliance Organizational Structure

The Member agencies continued collaborative efforts throughout the development of the Alliance organizational framework. The framework is structured to foster significant interaction among the Alliance Members in all major operational, financial and infrastructure decisions. A summary of key roles and responsibilities is provided below.

- **Board of Directors and Legal Counsel.** The Board of Directors is composed of one elected official from each of the Member agencies to form a four-person policy and oversight body. The Board then selects from among the four appointed Directors to fill positions for Chair, Vice-Chair and Secretary. The Board has selected Foster Pepper to serve as legal counsel to the Alliance. Board responsibilities and functions are further depicted in the IFA and in separately-adopted resolutions pertaining to Board Rules and Operating Procedures.

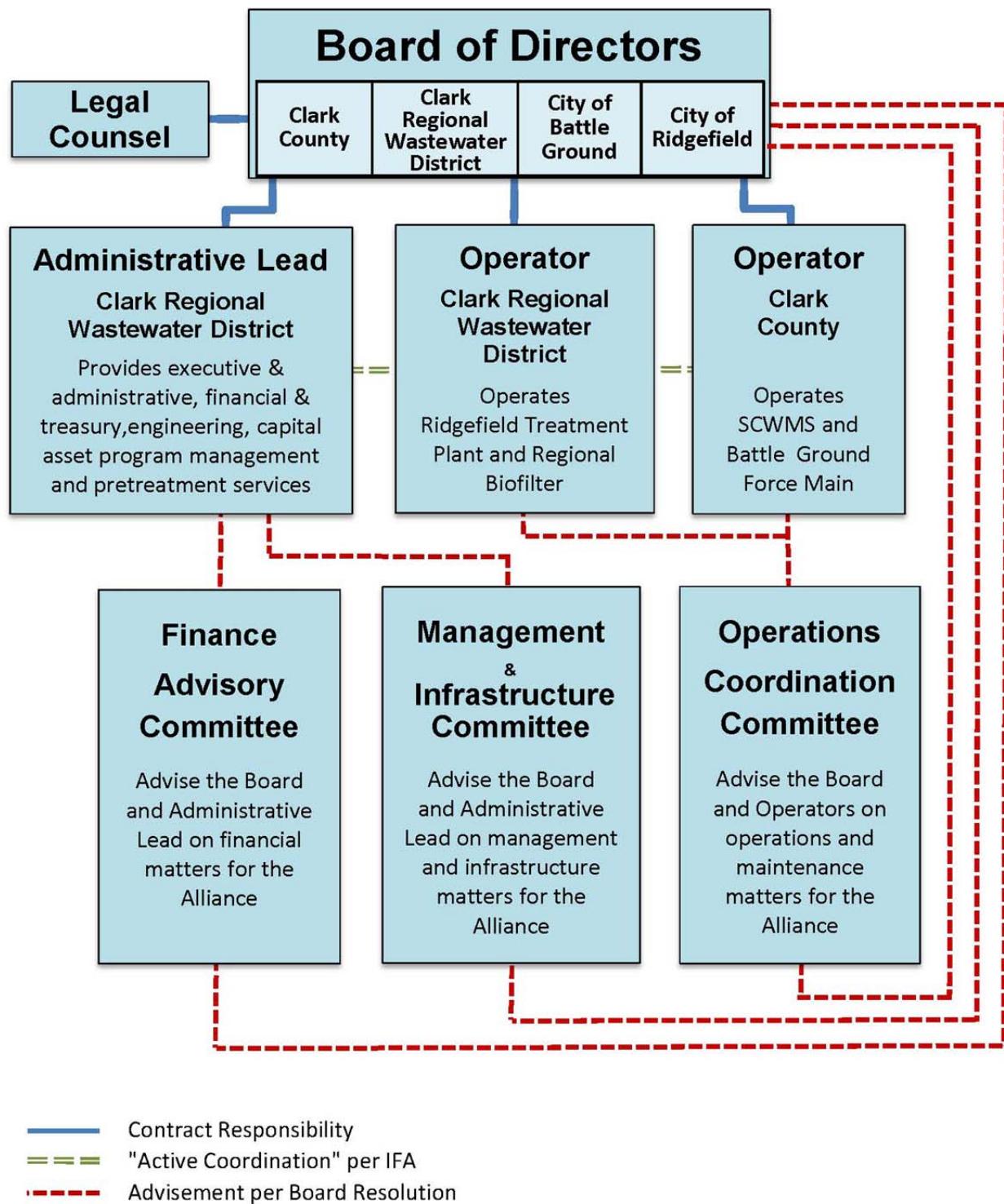
A "House" and Senate" voting structure mandates a high level of regional consensus for "Significant Decisions" of the Alliance Board. This structure incorporates two voting mechanisms: (1) majority voting (Directors only) and (2) dual-majority voting (Directors and Treatment Facilities Allocated Capacity). Routine votes per IFA Section IV.F.4 require only a majority vote of Directors present. Significant Decisions, on the other hand, require "dual majority" approval by both the number of Directors present (the "Senate test") and the Directors representing the volume of Treatment Facilities Allocated Capacity (the "House test"). Practically speaking under the current framework, regional consensus among 75% (3 out of 4) is required to form a simple majority for routine votes. 75% is also required to form a dual-majority for Significant Decisions, with the additional requirement that the agency representing the largest customer base (today, the District) must be one of the three approving members (stated another way, the District's vote is required to meet the "House" portion of the test).

The following decisions are classified as "Significant Decisions" in the IFA and require a Dual Majority Vote: the borrowing of money or issuance of bonds, a change in Administrative Lead or Operators, a change in the ownership of Regional Assets, the adoption of an Operating and a Capital Budget, the exercise of imminent domain, and the adoption and amendment of Alliance rules. The following decisions are classified as "Significant Decisions" in the IFA and require a Dual Super-Majority Vote: the adoption of Amendments to the IFA and to the Financial Policies, the adoption of a Capital Plan (including the allocation of costs pursuant to any such Capital Plan), a change in Allocated Capacity, the determination of the appropriate payment obligations for a withdrawing Member, the admissions of new Members, and the termination of this Agreement.

- **Member Service Providers.** The Alliance structure relies on contracts with its Members to deliver the majority of services. Clark County and Clark Regional Wastewater District (District) are contracted with the Alliance to provide operational services for all Alliance Regional Assets. The District is separately contracted with the Alliance as Administrative Lead to provide executive, administrative, financial, treasury, engineering, capital program management and pretreatment services.
- **Standing Committees.** The Alliance has formed three Standing Committees to provide forums for vetting all Alliance issues. The Finance Advisory Committee (FAC) provides for Member input into all financial matters for the Alliance. The Management and Infrastructure Committee (MIC) solicits guidance from the Members on decisions related to the Alliance asset management programs. An Operations Coordination Committee (OCC) allows for interaction and coordination of Regional Asset operations with the Members.

The interaction among these groups is illustrated in the following Alliance Organizational Chart. The chart outlines relationships between the Alliance Board, contracted service providers for legal, administrative lead and plant operations, and three advisory committees to the Board. The Standing Committees advise both the Member service providers and the Board of Directors. The Member service providers actively coordinate among themselves, receive input from the Standing Committees and have direct contractual responsibility to the Board of Directors. Legal Counsel works directly for the Board, also through a contractual relationship.

**Alliance Contractual and Communication Flow Chart**



*Members of Standing Committees shall be Directors, Alternates and/or employees of Members of the Alliance.*

# Discovery Clean Water Alliance

## 2019-2020 Operating and Capital Budget

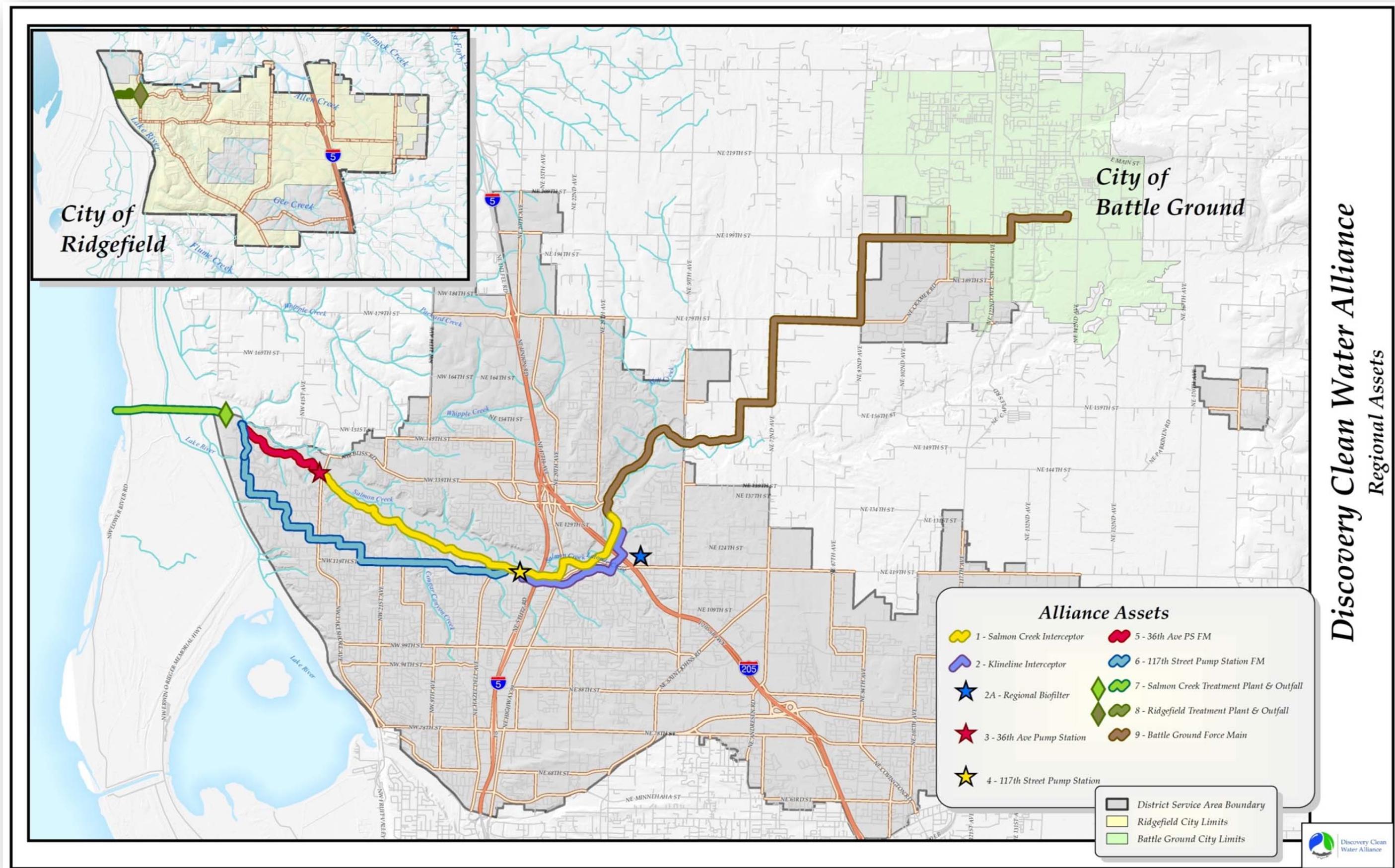
### 1.6 Alliance Regional Assets

As of the Alliance Operations Date (January 1, 2015), the Alliance owned, operated and managed nine Regional Assets with an estimated book value (historical cost less depreciation) of approximately \$126 million. The Regional Biofilter - Klineline Interceptor Project depicted in the 2016 Capital Plan Update has been completed as of 2018, becoming the tenth Regional Asset. The Regional Assets are depicted in the Regional Asset Descriptions below and Regional Asset Overview Map on the following page.

#### Alliance Regional Asset Descriptions

Regional Asset Name	Regional Asset Description
1. Salmon Creek Interceptor	4.6-mile long gravity pipeline located on the south side of the Salmon Creek drainage. The interceptor collects and conveys wastewater from partner agencies to regional pump stations. The pipeline was constructed in segments from the mid to late 1970's (21-41-inch diameter pipe routed from Betts Bridge to 36 Ave).
2. Klineline Interceptor	1.8-mile long gravity pipeline located parallel to the Salmon Creek Interceptor. The pipeline was constructed in segments from 2002 to 2006 (48-inch diameter pipe routed from Salmon Creek Ave & NE 127 to 117 St PS).
2A. Regional Biofilter - Klineline Interceptor	Regional biofilter directly adjacent to the property located at 12401 NE Salmon Creek Avenue in Vancouver WA. The biofilter was regionally sized to manage odors and control corrosion associated with the discharge of the Battle Ground FM and St. Johns Interceptor into the Klineline Interceptor. The biofilter was constructed in 2017-2018.
3. 36 Avenue PS	Raw sewage PS located at 14014 NW 36 Ave in Vancouver, WA. The station pumps wastewater from the Salmon Creek interceptor to SCTP. The pump station was constructed in mid-1970's and remodeled in 1994 and 2005.
4. 117 Street PS (aka Klineline PS)	Raw sewage PS located at 1110 NE 117 St in Vancouver, WA. The station pumps wastewater from Salmon Creek and Klineline interceptors to SCTP. The pump station was constructed in 2008.
5. 36 Ave PS FM	24-inch diameter FM routed from 36 Ave PS to SCTP. The FM runs approximately 1.4 miles along the south side of the Salmon Creek and discharges to SCTP. The pipeline was constructed in mid-1970's.
6. 117 Street PS FM	Dual 30-inch diameter FM routed from 117 St PS to SCTP. The FM runs approximately 4.9 miles along public rights-of-way to SCTP. The pipeline was constructed in segments from 2004 to 2008.
7. Salmon Creek Treatment Plant & Outfall	Secondary treatment plant originally constructed in the mid 1970's, with four major expansion phases. The plant is located at 15100 NW McCann Rd, in Vancouver, WA. The plant outfall is a 30-inch diameter pipeline routed west of the plant 1.3 miles, terminating in the Columbia River between mile 95 and 96. The discharge location is latitude 46° 43' 58" N, longitude 122° 45' 23" W.
8. Ridgefield Treatment Plant & Outfall	Secondary treatment plant originally constructed in 1959 with several upgrades since then. The plant is located on West Cook St in Ridgefield, WA. The plant outfall is a 10-inch diameter pipeline routed west of the plant 0.2 miles, terminating in Lake River. The discharge location is latitude 45° 49' 18" N, longitude 122° 45' 09" W.
9. Battle Ground FM (including odor control system)	9-mile long 16-inch diameter FM (with biocide chemical dosing/injection facility) routed southwesterly from Battle Ground PS to Klineline interceptor at Salmon Creek Ave. The pipeline was constructed in the early 1990's.

Alliance Regional Asset Overview Map



**Discovery Clean Water Alliance**  
2019-2020 Operating and Capital Budget

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## **Section 2**

### **PLANNING**

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

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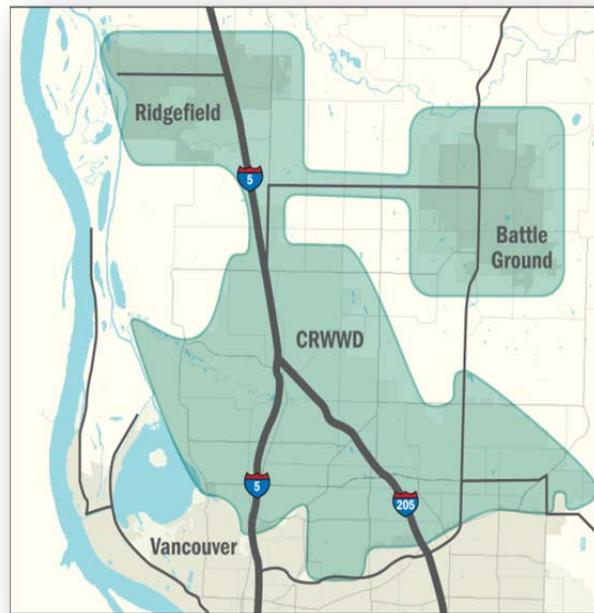
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## 2.1 Core Values and Guiding Principles

**Laying the foundation for a vibrant economy and healthy environment** is the primary mission of the Discovery Clean Water Alliance. As a regional wastewater transmission and treatment utility serving over 100,000 citizens today (and with the potential to serve a population of 250,000 or more over time) it is critical to the success of this mission that Alliance forward planning and decision-making is aligned with the needs and expectations of the community it serves.

In order to provide an appropriate context for Alliance decision-making, community-supported core values were determined during the regional business planning process, through a statistically valid telephone survey of residents in the Alliance service area.

The results of the survey are presented in the following table of the top ten Alliance core values, along with the percent of residents indicating that they "agree" or "strongly agree" that these values should guide the formation and operation of the Alliance.



### Alliance Core Values

% Who Agree or Strongly Agree

1. Ensure reliable, predictable service for all customers	89%
2. Manage financial resources in a responsible, efficient, equitable manner	86%
3. Operate utility to protect public and environmental health and safety	82%
4. Optimize the use of existing facilities	80%
5. Maintain financial transparency	79%
6. Use new technology to achieve system efficiency, environmental protection	77%
7. Provide fair, positive, secure work environment for future utility employees	71%
8. Ensure capacity to support regional land use, economic development	71%
9. Invest in capital improvements that create system-wide benefits	67%
10. Make business management decisions collaboratively with all partners	64%

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

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Alliance core values are applied in practice through Alliance asset management guiding principles, shown below. These values set the standards for developing and updating the Alliance Capital Plan, which in turn informs the Operating and Capital Budget planning process through each biennium budget period.

### **Alliance Asset Management Guiding Principles**

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1. Existing Regional Assets will be maintained in good operating condition through an intentional asset management program.

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2. New Regional Assets will be planned and constructed ahead of demand to provide adequate capacity for growth in Member service areas, to comply with emerging regulatory requirements and/or to deliver new levels of service where appropriate.

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3. Long-range financial planning to support the capital programs will be provided to the Members for incorporation into local (retail) rate and charge planning.

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4. Life cycle cost comparisons, considering both capital and operating costs, will be utilized in alternative comparisons for significant projects. Alternatives will also consider non-cost criteria topics such as regulatory compatibility, public and environmental health outcomes, regional (system-wide) benefits and operational characteristics.

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5. Decisions related to the Capital Plan will be fully vetted with the Standing Committees, the Board of Directors and affected stakeholders.

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The Alliance Capital Plan and Regional Asset management program are further depicted in Section 5 – Capital Program.

## **2.2 2019-2020 Financial Goals and Objectives**

Financial goals and objectives are developed to assist in guiding the Alliance forward. Financial objectives help direct the organization in fulfilling contractual obligations to provide service to Members, planning for the future, and responding to the environment surrounding it, including social and economic factors. Ultimately, these goals and objectives aid staff in responding to the policy direction of the Board of Directors. Significant elements in maintaining financial goals for a healthy financial condition include:

1. **Financial Policies Implementation:** Instituting and maintaining financial and debt policies that adequately cover the management and planning of operations, debt service and system repairs/replacements and system growth/improvements.
2. **Operating Costs Optimization:** Optimizing operating costs to meet Member needs.
3. **Capital Program Stewardship:**
  - a. Maintaining affordable Regional Service Charges (RSCs) charged to Members through low-cost financing of capital projects to help meet the Alliance's objectives and support economic growth.
  - b. Closely monitoring and making necessary improvements to the existing transmission and treatment systems.

The Alliance, in its short history, has been successful in providing services to its Members through implementation of these goals and objectives. This is accomplished by focusing on the needs of the community as well as the work being done by the Member agencies. Energy and resources are devoted to ensuring internal policies, practices and procedures are established, and systems are in place to fulfill financial policies as adopted by the Alliance Board. Primary financial goals for the 2019-2020 biennium are discussed below, along with any budget implications and operating or capital budget impacts.

### **Capital Plan, Operating Budget and Capital Budget**

**Discussion.** Biennially, working with the Standing Committees, the Administrative Lead facilitates a process to update a Capital Plan for Regional Assets. The purpose and scope of the Capital Plan is to present the blueprint for the Alliance to meet its infrastructure obligations to its Members for regional wastewater transmission and treatment services. Infrastructure obligations are met through the maintenance of existing Regional Assets and through construction of new Regional Assets. The Capital Plan will depict the repair and replacement (R&R) work needed to keep existing assets in good working order and will establish the infrastructure investments or capital improvement projects (CIP) needed to address system capacity, new regulatory obligations or new level-of-service commitments. Twenty-year planning is ongoing to assess any repair or replacement work necessary for existing Regional Assets (R&R Program). In tandem, strategic assessment of growth trends, changes in regulatory environments, and changes in Member needs all may drive capital investment in new Regional Assets over the twenty-year horizon (CIP Program). The 2018 Capital Plan update informs the 2019-2020 budget process. The next Capital Plan update will be performed in 2020.

As the 2018 Capital Plan update is finalized, the Administrative Lead, again working with the Standing Committees, facilitates a process to prepare a capital budget that supports the planned capital expenditures over the next two-year budget period. An operating budget is prepared in conjunction, which identifies the costs to provide administrative oversight to the Alliance and operate all Regional Assets of the Alliance. Administrative services are performed via professional contract with the District. Services to operate all Regional Assets are provided via professional contracts with Clark County to operate the Salmon Creek Wastewater Management System and the Battle Ground Force Main, and with the District to operate the Ridgefield Treatment Plant, and the Regional Biofilter - Klineline Interceptor. The next operating and capital budgets will be prepared in 2020 for the 2021-2022 biennium period.

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

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**Budget Implications.** The Administrative Lead contract between the Alliance and the District includes activities to facilitate the biennial updates to the Capital Plan, operating budget, and capital budget. Therefore, these costs are already included in the Administrative Lead services contract billed monthly from the District to the Alliance. Additionally, a professional services contract is executed with consulting firms to support Engineering efforts related to condition assessment of Regional Assets, monitoring and compliance with regulatory environment and changes, and long-range capital planning.

**Operating Impacts.** \$0.615 million in Professional Services

**Capital Impacts.** None

### **Existing Assets Restoration and Replacement (R&R) Projects**

**Discussion.** Construction activities for five R&R projects were completed in 2018, funded primarily from a revenue bond issuance of \$3.3 million in 2015. An asset management system review in 2017-2018 identified 15 R&R projects to be undertaken on existing Regional Assets over the 20-year planning window of 2019-2038, with work on eight of those projects programmed for the 2019-2020 biennium period. Further details on the R&R projects and related 20-year programming are highlighted in Section 5 – Capital Program.

**Budget Implications.** Funding of \$2.504 million for the eight R&R projects programmed in the 2019-2020 budget period is earmarked to come from RSCs collected from the District and City of Battle Ground. Funding for the remainder of the 15 projects over the 20 year planning window through 2038 is also earmarked to come from RSCs.

**Operating Impacts.** None.

**Capital Impacts.** \$2.504 million in RSCs collected from Members.

### **New Assets Capital Projects: Salmon Creek Treatment Plant Phase 5 Expansion Program**

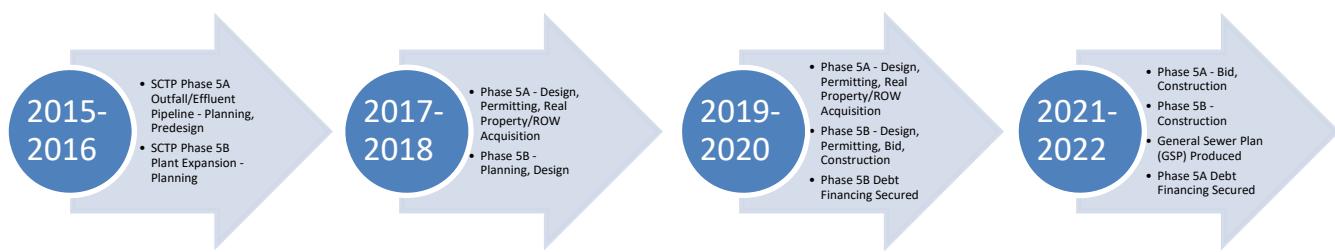
**Discussion.** Two major and separate efforts comprise the SCTP Phase 5 Expansion Program. The SCTP Phase 5A Project – Columbia River Outfall and Effluent Pipeline will construct a new effluent pipeline from the treatment plant to Lower River Road. The project will also install a new outfall pipeline from Lower River Road to the Columbia River, and include a new in-water diffuser assembly in the river. Planning began in 2015-2016, with permitting, real property right-of-way (ROW) acquisition and design ongoing through the 2019-2020 biennium period, at a total cost of \$5.235 million. Debt issuance and construction costs of \$21.376 million are now scheduled for the 2021-2022 biennium period.

The SCTP Phase 5B Project – Plant Improvements seeks to upgrade and improve plant processes to incrementally increase capacity, as well as proactively address certain odor sources at the plant through control and treatment to circumvent regulatory enforcement of improvements. Planning through design work from years 2015 to 2019 is projected to total \$3.296 million, and construction costs in years 2020 to 2022 are projected to total \$22.388 million.

In the 2019-2020 budget period, work on the two Phase 5 Expansion projects will include design, permitting, and easement acquisition, with debt issuance and construction planned to begin on Phase 5B in 2020. Further details on both projects can be reviewed in Section 5.

## Discovery Clean Water Alliance 2019-2020 Operating and Capital Budget

Biennial progress of the Phase 5 Expansion projects is depicted in the timeline below.



**Budget Implications.** Planning, permitting, ROW acquisition and design activities in the 2019-2020 budget period will be funded by RSCs collected from the District and Battle Ground. A debt issuance is scheduled for 2020 to fund construction of the Phase 5B project. A future debt issuance will fund construction of Phase 5A.

**Operating Impacts.** None.

**Capital Impacts.** \$1.670 million in debt service on a planned 2020 revenue bond issuance  
\$5.183 million in RSCs collected from Members

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

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## **Section 3**

### **BUDGET PROCESS**

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

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### **3.1 Budget Process**

The budget is an essential element of the financial planning, control and evaluation process for governments and businesses. In its most general sense, the budget is a proposal that reflects the planned financial operation of an entity for a given period.

As a special purpose government, the Alliance operates as an Enterprise fund. The Alliance maintains one fund with various sub-accounts to segregate restricted assets, if any, and to comply with the requirements of bond covenants and other Alliance resolutions. In 2019 the Alliance will operate with the following sub-accounts:

- Operations & Maintenance (O&M) Account
- Rate Stabilization Account
- Debt Service Account
- Existing Assets Restoration & Replacement (R&R) Account
- New Assets Capital (CIP) Account

The nature of an Enterprise fund is such that the operations of the fund are financed and accounted for so that the demand for services determines the appropriate level of resources to be applied. Increased demand for transmission and treatment services from Members causes a higher level of resources to be applied, which determines the rates that are used in recovering that level of service. Thus, as in private sector accounting, flexible budgets typically are better for Enterprise funds for planning, control and evaluation purposes than are fixed line-item budgets.

When formally adopted, the expense estimates of flexible budgets typically are not viewed as appropriations but as approved plans. Budgetary controls and evaluation are affected by comparing actual interim and annual revenues and expenses with planned revenues and expenses at the actual level of activity for the period. With that in mind, the operating budget can be considered moderately flexible and will be monitored to determine consistency with the level of service required by system growth.

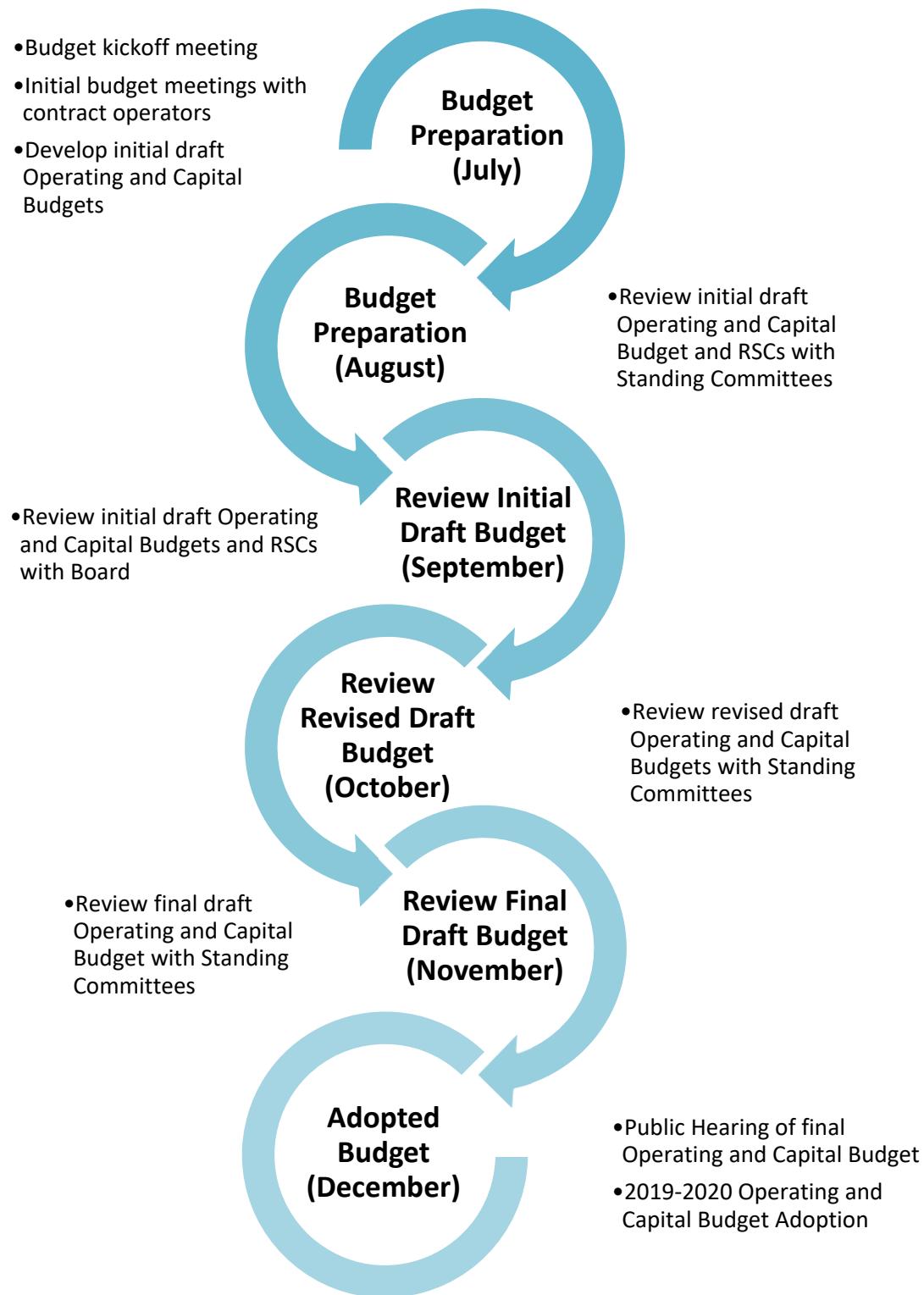
It is critical that the Alliance continues its prudent financial management by establishing sound fiscal policies, to include the review of its RSCs through budgetary analysis. The Alliance currently uses internal analysis to develop its RSCs and policies. The Alliance currently reviews its fiscal policies on an ongoing basis, as well as the appropriate amount of funding for the restoration and replacement of its existing assets and/or construction of new assets. The Alliance prepares its financial reports using the accrual basis in accordance with Generally Accepted Accounting Principles. The Alliance chooses to prepare its budgets using the cash basis. The cash basis is used in order to more accurately predict future cash needs so that the Alliance can ensure future cash flow requirements will be met.

The Alliance, for the 2019-2020 budget period, has adopted a funding strategy for operating Regional Assets, servicing debt, restoring and replacing existing Regional Assets and constructing new Regional Assets through collection of Regional Service Charges (RSCs) from Members who receive wastewater transmission and treatment services from the Alliance. Additionally, a planned debt issuance will fund construction of the SCTP Phase 5B Project – Plant Improvements through 2020-2022.

As the service areas and customer base of the Alliance wholesale customers (the District and Battle Ground) continue to grow, so does the requirement to manage sound practices and fiscal policies as they relate to debt.

At the beginning of the 2019-2020 budget period, the Alliance had outstanding debt totaling \$24.032 million in Public Works Trust Fund loans, State Revolving Fund loans and sewer revenue bonds issued by the Alliance in 2015.

### 3.2 Budget Calendar



## **Section 4**

### **ADOPTED BUDGET BY ACCOUNT**

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

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## **Section 4.1**

### **Budget Summary**

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*The Alliance operates Regional Assets and provides wastewater transmission and treatment services to Members as of the Alliance Operations Date, January 1, 2015. The Alliance is presenting a 2019-2020 Budget Summary, which has been prepared to be consistent with specific Alliance financial policies and general professional practices appropriate for a regional wastewater transmission and treatment utility. Expenditures total \$40.979 million for the two-year budget period.*

# Discovery Clean Water Alliance

## 2019-2020 Operating and Capital Budget

### 4.1 Budget Summary

Accounts	Operating Budget			Capital Budget			Adopted Budget 2019-2020
	Operating & Maintenance	RSC Stabilization	Debt Service	Existing Assets R&R	New Assets Capital		
<b>Beginning Account Balances</b>							
Alliance Funds	\$ 1,319	\$ 296	\$ 1,407	\$ 2,976	\$ 187	\$ 6,186	
Contracts Receivable	1,983	-	-	-	-	1,983	
<b>Total Beginning Account Balances</b>	<b>3,302</b>	<b>296</b>	<b>1,407</b>	<b>2,976</b>	<b>187</b>	<b>8,169</b>	
<b>Sources</b>							
Debt Issuance Proceeds	-	-	-	-	-	12,115	12,115
Regional Service Charges - District	9,272	124	6,658	2,053	4,093	22,200	
Regional Service Charges - CofBG	2,076	30	2,263	700	1,191	6,260	
Interest	-	-	-	-	-	-	
<b>Total Sources</b>	<b>11,348</b>	<b>154</b>	<b>8,921</b>	<b>2,753</b>	<b>17,399</b>	<b>40,575</b>	
<b>Uses</b>							
O&M Administrative Services	(2,311)	-	-	-	-	(2,311)	
O&M SCWMS Operations	(8,296)	-	-	-	-	(8,296)	
O&M BGFM Operations	(143)	-	-	-	-	(143)	
O&M RTP/RB Operations	(1,505)	-	-	-	-	(1,505)	
Debt Service	-	-	(8,921)	-	-	(8,921)	
Existing Assets R&R	-	-	-	(2,504)	-	(2,504)	
New Assets Capital	-	-	-	-	(17,299)	(17,299)	
<b>Total Uses</b>	<b>(12,255)</b>	<b>-</b>	<b>(8,921)</b>	<b>(2,504)</b>	<b>(17,299)</b>	<b>(40,979)</b>	
<b>Ending Account Balances</b>							
Alliance Funds	852	450	1,407	3,226	287	6,222	
Contracts Receivable	1,543	-	-	-	-	1,543	
<b>Total Ending Account Balances</b>	<b>\$ 2,395</b>	<b>\$ 450</b>	<b>\$ 1,407</b>	<b>\$ 3,226</b>	<b>\$ 287</b>	<b>\$ 7,765</b>	

## **4.1.1 Reserves**

Reserves are funds set aside for specific projects, tasks, covenant requirements and/or emergency situations.

### **Operating Reserves**

Operating reserve balances, in particular, are maintained in order to meet short-term cash flow requirements, while at the same time minimizing the risk associated with meeting financial obligations and continued operational needs under adverse conditions. To that end, the Alliance Board established two operating reserve accounts:

- Operating and Maintenance (O&M): The O&M reserve account, with a beginning balance of \$1.319 million, is fully funded.
- Rate Stabilization: The Rate Stabilization reserve account will have a beginning balance of \$0.296 million at January 1, 2019, and is anticipated to be fully funded by the year 2026.

### **Capital Reserves**

- Debt Service: The Debt Service reserve account is required to be sufficient to meet the reserve requirement per bond resolutions or to satisfy the reserve requirement through bond insurance. The only outstanding bonds are those issued in 2015, which do not require a debt service reserve.

A Capital Plan Summary, located in Section 5 – Capital Program, presents the Repair and Replacement (R&R) Program projects necessary to keep the existing Regional Assets in good working order. R&R projects are generally financed by year-over-year receipt of RSCs from Members. The R&R Program encompasses the initial and ongoing development of a regional asset management program to assess and categorize the condition of existing assets, as well as the criticality or consequence of failure. This process is utilized to identify and prioritize, or program, the R&R projects over time. The R&R account will be utilized to financially sponsor the capital repair projects and to provide for compliance with applicable financial policy tests.

- The R&R reserve account has a beginning balance of \$2.976 million at January 1, 2019, which includes reserve carryovers and reserves transferred from Members in previous budget periods. A minimum account balance reserve of 2% of historical asset cost per financial policy (approximately \$3.300 million at the Alliance Operations Date, January 1, 2015) will be provided through a gradual build-up of account balance reserves by year 12 of the planning horizon (2026).

Section 5 also presents the Capital Improvements Program (CIP) projects necessary to provide for new system capacity needs, regulatory compliance requirements and level-of-service opportunities. These capital projects tend to be larger in scope and costs, therefore often requiring financing.

Two projects planned in the six-year planning window required project-specific analysis to determine the optimum financing framework. As two independent components of the Salmon Creek Treatment Plant Phase 5 Expansion Program, the Phase 5A Project - Columbia River Outfall and Effluent Pipeline, and the Phase 5B Project - Salmon Creek Treatment Plant Improvements, will each require debt issuance. Debt will be issued when each project enters the construction phase.

Five additional large CIP projects programmed over the 20-year planning horizon will also require separate financing evaluations to be prepared. The capital account will be utilized to financially sponsor the new Regional Assets projects and to provide for compliance with applicable financial policy tests. This budget has been developed to present a balanced and integrated management strategy.

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

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- The new assets capital reserves (CIP) account will have a balance of \$0.187 million at January 1, 2019. A minimum account balance reserve to handle construction funding fluctuations on larger capital projects is provided through a gradual build-up of account balance reserves by year six of the planning period, in 2020.

Please refer to Section 4.4 Account Balance Summary for addition details on 2019-2020 reserve balances. Please refer to Section 5 – Capital Program for specific details on existing asset R&R projects or new asset CIP projects.

## 4.1.2 Regional Service Charges

For the 2019-2020 budget period, Alliance operations are funded from RSCs billed by the Alliance to its Members. RSCs are set by the Alliance Board of Directors as part of the biennial budget adoption. The revenue to be collected from Members for 2019-2020 is intended to fund administrative costs and full operations of Regional Assets providing wholesale transmission and treatment services to the Members, encompassing over 100,000 wastewater utility customers in central Clark County. The split in RSCs by Members to fund the 2019-2020 operating budget expenses is detailed in the table below.

**Regional Service Charges (\$000s)**

Regional Service Charges	2015-2016 Actual	Amended 2017-2018 Budget*	2019-2020 Budget	\$ Change	% Change
<b>District</b>					
O&M					
Administrative Services	\$ 888	\$ 1,153	\$ 1,521	\$ 368	
SCWMS	5,643	5,874	6,342	468	
BGFM	62	60	27	(33)	
RTP/RB	1,246	1,386	1,382	(4)	
Rate Stabilization	108	122	124	2	
Capital					
Debt Service	4,422	5,122	6,658	1,536	
Existing Assets R&R	964	2,010	2,053	43	
New Assets Capital	671	1,877	4,093	2,216	
<b>Total District RSCs</b>	<b>14,004</b>	<b>17,604</b>	<b>22,200</b>	<b>4,596</b>	<b>26.1%</b>
<b>Battle Ground</b>					
O&M					
Administrative Services	826	329	434	105	
SCWMS	1,392	1,398	1,515	117	
BGFM	250	231	116	(115)	
RTP/RB	-	-	11	11	
Rate Stabilization	34	32	30	(2)	
Capital					
Debt Service	1,438	1,816	2,263	447	
Existing Assets R&R	299	928	700	(228)	
New Assets Capital	211	652	1,191	539	
<b>Total Battle Ground RSCs</b>	<b>4,450</b>	<b>5,386</b>	<b>6,260</b>	<b>874</b>	<b>16.2%</b>
<b>Total Per Biennial Budget Period</b>	<b>\$ 18,454</b>	<b>\$ 22,990</b>	<b>\$ 28,460</b>	<b>\$ 5,470</b>	<b>23.8%</b>

**Footnotes**

\* 2017-2018 budgeted RSCs reflect amendments in January 2018 (sludge blend tank overflow repair at the Salmon Creek Treatment Plant) and July 2018 (change in contract operators at Ridgefield Treatment Plant)

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

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## **Section 4.2**

### **Operating Budget**

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*The Alliance operates Regional Assets and provides wastewater transmission and treatment services to Members as of the Alliance Operations Date, January 1, 2015. The Alliance is presenting an Operating Budget, a component of the 2019-2020 Operating and Capital Budget, to provide the financial framework necessary to fund operations for the two-year budget period. The Operating Budget has been prepared to be consistent with specific Alliance financial policies and general professional practices appropriate for a regional wastewater transmission and treatment utility.*

# Discovery Clean Water Alliance

## 2019-2020 Operating and Capital Budget

### 4.2 Operating Budget

#### Operating Budget Introduction

A formal definition of the operating budget as presented in the IFA is "*the periodic operating budget prepared consistent with Section VI.A.: An annual or biennial Operating Budget and periodic Capital Budgets will be prepared by Alliance staff or consultants (or, if there is a separate Administrative Lead, then by the staff of, or the consultants selected by, that entity).*"

The components of the operating budget are presented in the following sections:

- *Section 4.2.1 – Administrative Services/Clark Regional Wastewater District.* A summary of administrative services expenses paid to Clark Regional Wastewater District for the 2019-2020 biennial budget period is provided in Section 4.2.1.
- *Section 4.2.2 – Operator - Salmon Creek Wastewater Management System/Clark County.* A summary of contract operating expenses paid to Clark County for the 2019-2020 biennial budget period is provided in Section 4.2.2.
- *Section 4.2.3 – Operator - Battle Ground Force Main/Clark County.* A summary of contract operating expenses paid to Clark County for the 2019-2020 biennial budget period is provided in Section 4.2.3.
- *Section 4.2.4 – Operator - Ridgefield Treatment Plant, Regional Biofilter – Klineline Interceptor/Clark Regional Wastewater District.* A summary of contract operating expenses paid to the District for the 2019-2020 biennial budget period is provided in Section 4.2.4.

#### Operating Account Structure and Related Financial Policies

The Alliance will administer its operating budget responsibilities through two separate accounts. The individual accounts are summarized on the following table, including a brief excerpt of key financial policies that apply to each account.

#### Alliance Operating Account Structure and Financial Policies

Account Name	Purpose	Key Financial Policies (from IFA, Exhibit A)
<b>Operations and Maintenance Account</b>	Maintain financial viability of the utility despite short-term variability in revenues and expenses.	Accrue funds sufficient to pay day-to-day administrative costs, and costs to operate Regional Assets for the Alliance. Additionally, maintain a reserve of not less than 60 days of operating costs.
<b>Regional Service Charge Stabilization Account</b>	Mitigate major year-to-year fluctuations in revenues and expenses upon unplanned revenue shortfalls or expenditures, including debt coverage.	Accrue funds sufficient to, when directed by the Alliance Board, fund unplanned operating revenue shortfalls or expenses, or debt coverage. Additionally, maintain a reserve of not less than 60 days of operating costs.

#### Operating Cost Allocation Framework

The Alliance applies a "usage-based" cost allocation framework where Members pay Regional Service Charges (RSCs) based primarily on Average Annual Flows in individual Regional Assets or groupings of Regional Assets. After the transfer of City of Ridgefield's wastewater collection system and utility customers to the District in 2014, Ridgefield does not contribute flows to the Regional Assets. Clark County transferred ownership of the Salmon Creek Treatment Plant to the Alliance on January 1, 2015, and does not contribute flows to the Regional Assets.

**Discovery Clean Water Alliance**  
**2019-2020 Operating and Capital Budget**

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Therefore, the County and Ridgefield do not pay RSCs. All Alliance costs are allocated to either City of Battle Ground or the District.

Per IFA Section VI.B.1, the Alliance cost allocation framework is summarized as follows:

**Alliance Operating Cost Allocation Framework**

<b>Cost Category</b>	<b>Cost Allocation Framework (from IFA, Section VI.B1)</b>
Administrative Costs	Proportional to share of Treatment Facilities Allocated Capacity.
Regional Assets Operating Costs	Proportional to share of use of a Regions Asset or group of Regional Assets as measured by Average Annual Flows.
Custom Cost Allocation	As determined by the Board of Directors on an ad hoc basis.

**Operating Expense Summary**

Administrative costs of the Alliance (contract Administrative Lead services provided by the District, professional services and other expenses) and insurance, legal and audit services from other service providers are funded from RSCs. In addition, costs to operate all Regional Assets (two wastewater treatment plants with outfalls, two regional pump stations, three regional force mains and two gravity interceptors) and provide wholesale wastewater transmission and treatment services to Members, are also funded from RSCs. Administrative and operating costs are budgeted to total \$12.255 million for the 2019-2020 budget period.

# Discovery Clean Water Alliance

## 2019-2020 Operating and Capital Budget

### 4.2.1 Administrative Services/Clark Regional Wastewater District

The 2019-2020 operating budget for administrative services, totaling \$2.311 million, includes administrative services provided under an Administrative Lead contract, plus professional services and other expenses. Insurance, legal and audit services are also included in this budget. The 2019-2020 operating budget will continue to fund full operation and provision of wastewater transmission and treatment services to two wholesale customers serving over 100,000 people in central Clark County.

#### Administrative Services (\$000s)

Administrative Services	2015-2016 Actual	Amended 2017-2018 Budget	2019-2020 Budget	\$ Change	% Change
<b>Expenditures</b>					
Administrative Lead Contract - District					
Contract Services	\$ 462	\$ 819	\$ 1,060	\$ 241	
Professional Services	417	436	666	230	
Other Expenses	5	30	28	(2)	
Total Administrative Lead Contract	884	1,285	1,754	469	36.5%
Insurance Contract	329	380	340	(40)	
Legal Services Contract	23	85	80	(5)	
Professional Services - Environmental Monitoring	-	-	90	90	
CAFR/Audit	11	29	29	-	
Other Expenses	16	18	18	-	
<b>Total Administrative Services Expenditures</b>	<b>\$ 1,264</b>	<b>\$ 1,797</b>	<b>\$ 2,311</b>	<b>\$ 514</b>	<b>28.6%</b>

#### Administrative Lead Services – Clark Regional Wastewater District: \$1,754,000

An Administrative Lead contract was executed between the Alliance and the District, an Alliance Member. This contract specifies that the District will oversee Alliance activities through 2024 and the Alliance will have no staff of its own. Contract services (including executive and administrative services, financial and treasury services, engineering, Ridgefield Treatment Plant [RTP] and regional biofilter operations), professional services (including capital plan development and delivery, regulatory compliance support, information technology support, communications/public engagement and financial consulting services), and other expenses (including utilities, advertising/public notices and miscellaneous expenses) are all included in the 2019-2020 Administrative Lead contract budget for the Alliance. Note that this budget includes Pretreatment services billed by the District directly to the Alliance as part of the overall engineering services. Miscellaneous expenses also include Pretreatment supplies and tests. Significant changes to the Administrative Lead budget from the prior biennium include:

- Contract Engineering Services: With the increase in R&R and CIP capital program expenditures in the 2019-2020 biennium, Contract Engineering Services by District staff are budgeted to increase by \$215,000, or 44.4%.
- Capital Program Support and Regulatory Compliance: The Alliance contracts with Jacobs Engineering Group (formerly CH2M HILL Engineering) for Capital Program Support and Regulatory Compliance. With the increase in R&R and CIP projects and capital program expenditures in the 2019-2020 biennium, this contract is budgeted to increase by \$215,000, or 53.8%.
- Communications and Public Engagement: The Alliance contracts with JLA Public Involvement to develop its communications and outreach program. The scope of work has increased in the 2019-2020 biennium

## **Discovery Clean Water Alliance** **2019-2020 Operating and Capital Budget**

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to increase neighborhood awareness and build goodwill as homes continue to be built adjacent to the Salmon Creek Treatment Plant facility. The budget has correspondingly increased by \$25,000.

### **Insurance Services – WSRMP: \$340,000**

Insurance services, purchased from Water and Sewer Risk Management Pool (WSRMP) for the two-year budget period, include property, liability and errors and omissions coverage.

- Insurance services have decreased \$40,000 or 10.4% over the previous biennium. The WSRMP has had fewer claims, leading to reduced rates for Pool members in the 2019-2020 biennium.

### **Legal Services – Foster Pepper PLLC: \$80,000**

Legal services for general counsel to the Alliance are contracted with Foster Pepper PLLC.

### **Professional Services – Regulatory and Environmental Monitoring: \$90,000**

The Alliance will contract with City of Vancouver for Regulatory and Environmental Monitoring to collaboratively support the reporting of accurate and timely data to the Washington State Department of Ecology for accurate analysis of Columbia River water quality. This is a new environmental effort, with a contractual agreement to be executed in the 2019-2020 biennium.

### **CAFR/Audit Services – SAO: \$29,000**

Comprehensive Annual Financial Report (CAFR) audit services will be performed by Washington State Auditor's Office (SAO) with audit work scheduled to be done in both 2019 and 2020.

### **Other Expenses – Various Entities: \$18,000**

Other expenses, including bank fees, DAC fees, permit fees and property taxes, will be paid to various entities as they are incurred.

# Discovery Clean Water Alliance

## 2019-2020 Operating and Capital Budget

### 4.2.2 Operator – Salmon Creek Wastewater Management System/ Clark County

The Alliance has contracted with two Members, Clark County and the District, to operate all Regional Assets. The County previously owned the Salmon Creek Wastewater Management System (SCWMS) until ownership was transferred to the Alliance effective January 1, 2015. The County will continue to operate the SCWMS via contract (one treatment plant, two force mains, two pump stations and two gravity interceptors).

In addition, the County began to operate via contract another Regional Asset, the Battle Ground Force Main (BGF), effective January 1, 2015. Consequently, the County is currently the contract operator for eight of ten Regional Assets, as of January 1, 2015. The County Operator Agreement was amended in July 2018, extending the agreement expiration from December 31, 2019 for an additional five years through December 31, 2024. Therefore, County employees will continue to operate the SCWMS and BGF through the 2019-2020 budget period. A separate, detailed operating budget is prepared for each system.

The County's two-year budget to operate the SCWMS via contract totals \$8.296 million. This operator contract, summarized below, is part of the overall operating budget for the Alliance for the 2019-2020 budget period. The detailed Clark County operator budget for the SCWMS is located at Appendix D.

#### Clark County Operator Contract Summary – SCWMS (\$000s)

Contract Operations - SCWMS	2015-2016 Actual	Amended 2017-2018 Budget	2019-2020 Budget	\$ Change	% Change
<b>Expenditures</b>					
Contract Operator - Clark County					
Operations and Maintenance - SCWMS					
Salaries and Benefits	\$ 2,679	\$ 2,935	\$ 3,306	\$ 371	
Materials and Supplies	840	579	626	47	
Services and Utilities	2,726	2,902	3,316	414	
Internal Services	400	622	372	(250)	
Capital	-	70	20	(50)	
Chemical and Lab Supplies	-	440	396	(44)	
Total Operations and Maintenance	6,645	7,549	8,036	487	6.5%
R&R Allowance (projects < \$63k)	162	345	260	(85)	
<b>Total SCWMS Expenditures</b>	<b>\$ 6,806</b>	<b>\$ 7,894</b>	<b>\$ 8,296</b>	<b>\$ 402</b>	<b>5.1%</b>

#### Operations and Maintenance – Clark County SCWMS: \$8,036,000

Operating and maintenance expenses include salaries and benefits, materials and supplies, services and utilities, internal services and chemical/lab supplies.

#### R&R Allowance for Projects Less Than \$63,000 – Clark County SCWMS: \$260,000

Projects under the \$63,000 threshold (as determined in the Capital Plan) are identified in the Clark County Operator budget for the 2019-2020 biennium. These include replacement of the aeration basin diffuser and a general maintenance allowance as follows:

**Discovery Clean Water Alliance**  
**2019-2020 Operating and Capital Budget**

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SCTP COMPONENT	COST
Aeration Basin Diffuser Replacement	\$60,000
Misc. Small Repair and Replacement Projects	\$200,000
<b>Total Costs of Identified Projects</b>	<b>\$260,000</b>

A detailed R&R Program Summary of Potential Deficiencies and Improvements is included in the Clark County operator budget for the SCWMS, found at Appendix D.

# Discovery Clean Water Alliance

## 2019-2020 Operating and Capital Budget

### 4.2.3 Operator - Battle Ground Force Main/Clark County

Effective January 1, 2015, Clark County began operating the Battle Ground Force Main (BGF), previously owned and operated by City of Battle Ground. The County provides routine, weekly visual inspection of the exterior lines, valves and vaults, cleans the interior of the lines, performs routine and minor repairs and maintenance, and performs chemical dosing of the line for odor control and to mitigate deterioration within the line and downstream interceptor. The County prepared a separate detailed two-year budget totaling \$0.143 million for operating this Regional Asset via contract, included in Appendix D. The BGF budget summary is shown below.

#### Clark County Operator Contract Summary – BGF (\$000s)

Contract Operations - BGF	2015-2016 Actual	Amended 2017-2018 Budget	2019-2020 Budget	\$ Change	% Change					
<b>Expenditures</b>										
Contract Operator - Clark County										
Operations and Maintenance - Battle Ground Force Main										
Salaries and Benefits	\$ 72	\$ 45	\$ 48	\$ 3						
Materials and Supplies	67	21	10	(11)						
Services and Utilities	2	10	10	-						
Dosing Chemicals	200	200	75	(125)						
Total Operations and Maintenance	341	276	143	(133)	-48%					
R&R Allowance (projects < \$63k)	-	-	-	-						
<b>Total BGF Expenditures</b>	<b>\$ 341</b>	<b>\$ 276</b>	<b>\$ 143</b>	<b>\$ (133)</b>	<b>-48%</b>					

#### Operations and Maintenance – Clark County BGF: \$143,000

Operations and maintenance of the BGF include salaries and benefits, materials and supplies, services and utilities, and dosing chemicals. There is no R&R budget for this Regional Asset.

- Dosing chemicals, budgeted at \$75,000 in 2019-2020, is utilized to control odors in the nine-mile long force main, and also to mitigate the development of highly corrosive hydrogen sulfide (H<sub>2</sub>S) gas generated when sewage is transported over long distances in the anaerobic environment of the force main. The use of dosing chemicals is budgeted to decrease by \$125,000 or 62.5% in the 2019-2020 biennium due to the completion of the Regional Biofilter - Klineline Interceptor project, which treats the air to mitigate the H<sub>2</sub>S gas, acts as a permanent reduction or potential replacement to dosing chemicals.

## 4.2.4 Operator - Ridgefield Treatment Plant, Regional Biofilter/Clark Regional Wastewater District

City of Ridgefield previously owned the Ridgefield Treatment Plant (RTP) until ownership was transferred to the Alliance effective January 1, 2015. Ridgefield remained as the contract operator of this Regional Asset through June 30, 2018. Operation of the RTP was transferred to the District on July 1, 2018 through amendments to the Alliance/Ridgefield Operator Agreement and the Alliance/District Operator Agreement. The term of the Ridgefield agreement was amended to expire as of December 31, 2018. The term of the District Operator Agreement was amended to extend through an additional five-year period to December 31, 2024.

The Klineline Interceptor - Regional Biofilter (RB) was completed in 2018, and became the tenth Regional Asset of the Alliance. The District was contracted to operate this asset through the Alliance/District Operator Agreement with the District effective July 1, 2017, terminating on December 31, 2019. As noted above, the term of this agreement was extended through an additional five-year period to December 31, 2024 by amendment.

As contract operator of two Regional Assets, the District prepared a detailed two-year budget totaling \$1.505 million to operate the RTP and RB. The budgeted operator expenses are summarized below. The detailed budgets are included in Appendix E, with additional explanation and support of the summary numbers. The District contract operator budget is a component of the overall operating budget for the Alliance for the 2019-2020 budget period.

**District Operator Contract Summary – RTP and RB (\$000s)**

Contract Operations - RTP/RB	2015-2016 Actual	Amended 2017-2018 Budget	2019-2020 Budget	\$ Change	% Change
<b>Expenditures</b>					
Contract Operator - District					
RTP Operations and Maintenance					
Personnel	\$ 425	\$ 534	\$ 704	\$ 170	31.8%
Supplies	74	72	90	18	25.0%
Services	115	120	120	-	
Intergovernmental Services	436	476	352	(124)	-26.1%
Maintenance	62	56	54	(2)	
Utilities	60	67	60	(7)	
Subtotal RTP Operations and Maintenance	1,172	1,325	1,380	55	4.2%
Regional Biofilter Operations and Maintenance	-	22	22	-	
Total Operations and Maintenance	1,172	1,347	1,402	55	4.1%
R&R Allowance (projects <\$63k)	169	82	103	21	
<b>Total RTP/RB Expenditures</b>	<b>\$ 1,341</b>	<b>\$ 1,429</b>	<b>\$ 1,505</b>	<b>\$ 76</b>	<b>5.3%</b>

### **RTP Operations and Maintenance – District: \$1,380,000**

Operating and maintenance expenses include personnel, supplies, services, intergovernmental services, maintenance and utilities. Significant changes to the RTP and RB budget from the prior biennium include:

- Personnel costs are budgeted to increase by \$170,000, or 31.8%, in the 2019-2020 biennium. This increase is due both to routine increases in salaries and benefits, as well as a different staffing matrix to operate the RTP.

# **Discovery Clean Water Alliance**

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- Intergovernmental Services are budgeted to decrease by \$124,000 or 26.1% in the 2019-2020 biennium due to lower indirect cost allocations by the District.

### **Regional Biofilter Operations and Maintenance – District: \$22,000**

Operating and maintenance expenses include personnel, supplies, services, maintenance and utilities.

### **R&R Allowance for Projects Less Than \$63,000 – District: \$103,000**

Projects under the \$63,000 threshold (as determined in the Capital Plan), as identified in the Ridgefield operator budget for the 2019-2020 biennium, include repair or servicing of the following RTP components:

<b>RTP COMPONENT</b>	<b>COST</b>
Sludge Transfer Pump Rebuild	\$11,000
Return Activated Sludge Pump Replacement	\$6,000
PLC Replacement	\$50,000
Influent Sampler	\$11,000
SCADA Improvements	\$25,000
<b>Total Costs of Identified Projects</b>	<b>\$103,000</b>

## **Section 4.3**

### **Capital Budget**

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*The Alliance is presenting a Capital Budget, a component of the 2019-2020 Operating and Capital Budget, to provide the financial framework necessary to support delivery of the Capital Plan. The 2019-2020 Capital Budget has been prepared to be consistent with specific Alliance financial policies and general professional practices appropriate for a regional wastewater transmission and treatment utility.*

### 4.3 Capital Budget

#### Capital Budget Introduction

The formal definition of the capital budget as presented in the IFA is "*one or more capital budgets adopted consistent with Section VI.A.: An annual or biennial Budget and periodic Capital Budgets will be prepared by Alliance staff or consultants (or, if there is a separate Administrative Lead, then by the staff of, or the consultants selected by, that entity). Similarly, prior to Board action, comprehensive Capital Plans, including a renewal and replacement fund mechanism, will be periodically prepared by Alliance staff (or, if there is an Administrative Lead, by the staff of that entity in cooperation with staff of any Operator).*"

The components of the capital budget, Section 4.3, are presented in the following sections:

- *Section 4.3.1 – Debt Service Account.* A summary of outstanding debt per debt instrument type for the 2015-2016, 2017-2018 and 2019-2020 biennial budget periods is provided in Section 4.3.1 and Appendices F, G, and H.
- *Section 4.3.2 – Existing Assets Repair and Replacement (R&R) Account.* A summary of existing assets repair and replacement actual or budgeted expenditures for the 2015-2016, 2017-2018 and 2019-2020 biennial budget periods is provided in Section 4.3.2 and Section 5.
- *Section 4.3.3 – New Assets Capital Improvement Projects (CIP) Account.* A summary of new assets capital construction and acquisition actual or budgeted expenditures for the 2015-2016, 2017-2018 and 2019-2020 biennial budget periods is provided in Section 4.3.3 and Section 5.

#### Capital Budget Summary

A Capital Plan Summary table contained in Section 5 presents a summary of the capital investments necessary to maintain the existing Regional Assets in good working order and to construct or acquire new Regional Assets for the 20-year planning horizon, 2019-2038. Fifteen projects are identified to repair or replace existing assets, and nine projects are identified to construct new assets during that period and provide an Alliance General Sewer Plan/Wastewater Facilities Plan to respond to capacity demand, anticipated regulatory requirements, or to provide community-appropriate levels of service. Capital budget expenditures planned for the 2019-2020 budget cycle total \$28.724 million. A debt issuance of \$22.836 million in 2020 will fund construction of the SCTP Phase 5B Project – SCTP Improvements in 2020-2022, of which \$12.115 million is expected to be expended in the 2019-2010 biennium. The remaining funds to service debt, complete construction of the R&R projects programmed in 2019-2020, and fund ongoing work on the two new assets CIP projects will come from RSCs collected from Members.

#### Capital Account Structure and Related Financial Policies

The Alliance will administer its capital budget responsibilities through three separate accounts. The individual accounts are summarized in the following table, including a brief excerpt of key financial policies that apply to each account.

**Discovery Clean Water Alliance**  
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**Alliance Capital Account Structure and Financial Policies**

Account Name	Purpose	Key Financial Policies (from IFA, Exhibit A)
<b>Debt Service Account</b>	Provide for the servicing of Alliance-held debt.	Accrue funds sufficient to service principal and interest obligations timely on all debt either assumed by the Alliance from Members or on new debt issued by the Alliance. Additionally, maintain a reserve sufficient to meet Reserve Requirements per the Bond Resolutions and/or to satisfy rate or additional covenants contained in the Bond Resolutions.
<b>Existing Asset Repair and Replacement (R&amp;R) Account</b>	Provide funding for existing Regional Asset repair and replacement projects.	Accrue funds sufficient to repair or replace existing Regional Assets as needed. Additionally, maintain a reserve of not less than 2% of historical cost of assets. Funding from Regional Service Charges is scheduled to support a 20-year repair and replacement program.
<b>New Asset Capital Improvements Program (CIP) Account</b>	Provide funding for new Regional Asset construction and Acquisition.	Accrue funds sufficient to construct or acquire new Regional Assets as needed. Additionally, maintain a minimum reserve necessary to buffer for fluctuations between uniform revenues and non-uniform expenditures as new assets are constructed or acquired.

**Capital Cost Allocation Framework**

The Alliance utilizes an “asset-based” cost allocation framework where Members pay RSCs based primarily on Allocated Capacity in individual Regional Assets or groupings of Regional Assets. As a reminder, at this time, Clark County and Ridgefield do not contribute flow nor have Allocated Capacity in the Regional Assets, and therefore do not pay RSCs. Per Interlocal Formation Agreement (IFA) Section VI.B.1, the Alliance cost allocation framework is summarized below.

**Alliance Capital Cost Allocation Framework**

Cost Category	Cost Allocation Framework (from IFA, Section VI.B1)
Regional Asset Capital Costs	Member-allocated capacity in Regional Asset(s)
Custom Cost Allocation	As determined by the Board of Directors on an ad hoc basis

# Discovery Clean Water Alliance

## 2019-2020 Operating and Capital Budget

### 4.3.1 Debt Service Account

As of January 1, 2019, the Alliance has \$24.032 million of outstanding principal debt on its Regional Assets. The existing principal debt obligations of the Alliance are summarized in the table below.

#### Debt on Regional Assets as of January 1, 2019 (\$000s)

Regional Asset Number/Name	Existing Debt Instrument	Existing Debt (principal at January 1, 2019)	Alliance Member Responsible for Debt
1-7. Salmon Creek Wastewater Management System	Public Works Trust Fund Loans State Revolving Fund Loan 2015 Sewer Revenue Bond Public Works Trust Fund Loans	\$ 8,063 500 9,195 5,548	District District District/Battle Ground Battle Ground
8. Ridgefield Treatment Plant and Outfall	State Revolving Fund Loan	726	District
9. Battle Ground Force Main	No Debt on Regional Asset	-	N/A
2a. Regional Biofilter - Upper Klineline Interceptor	No Debt on Regional Asset	-	NA
<b>TOTAL DEBT</b>		<b>\$ 24,032</b>	

Debt previously held by three Members, the District, Battle Ground and Ridgefield, in the form of Washington Public Works Trust Fund (PWTF) and State Revolving Fund (SRF) loans, was transferred to the Alliance in early 2015.

In addition, the Alliance issued a privately-placed bond in September 2015, which allowed the District to call and defease outstanding revenue bonds it held on Regional Assets ("old money") and to partially fund Alliance capital construction costs planned between 2016-2018 ("new money").

In review of the New Assets Capital plan as outlined in Section 4.3.3, this budget includes a planned \$22.836 million debt issuance in 2020 for construction of the SCTP Phase 5B project in years 2020 through 2022.

The following Debt Service Account table presents principal and interest to service all Alliance-held debt for the 2019-2020 budget period, as well as the debt service for the prior 2015-2016 and 2017-2018 biennial budget periods. The 2019-2020 portion of this table is presented for adoption as a component of the upcoming two-year capital budget. Debt service for the two-year biennial budget totals \$8.921 million.

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**Debt Service Account (\$000s)**

Debt Service Account	2015-2016 Actual	Amended 2017-2018 Budget	2019-2020 Budget	\$ Change	% Change
Debt Transferred From District					
PWTF - Principal	\$ 2,125	\$ 2,126	\$ 2,126	\$ 0	
PWTF - Interest	118	97	75	(22)	
SRF - Principal	436	472	511	39	
SRF - Interest	145	113	74	(39)	
Total Principal & Interest Payments	2,824	2,808	2,786	(22)	-0.8%
Debt Transferred From CoBG					
PWTF - Principal	1,525	1,525	1,525	(0)	
PWTF - Interest	82	67	52	(15)	
Total Principal & Interest Payments	1,607	1,592	1,577	(15)	-1.0%
Debt Issued by Alliance					
2015 Bond - Principal	841	1,990	2,470	480	
2015 Bond - Interest	373	526	419	(107)	
2020 SCTP Phase 5B Bond - Principal	-	-	764	764	
2020 SCTP Phase 5B Bond - Interest	-	-	906	906	
Total Principal & Interest Payments	1,214	2,516	4,559	2,043	81.2%
Other Debt					
Ridgefield LTGO Bond - Principal	1,145	-	-	-	
Ridgefield LTGO Bond - Interest	-	-	-	-	
Total Principal & Interest Payments	1,145	-	-	-	
Subtotal Principal	6,072	6,113	7,396	1,283	
Subtotal Interest	718	803	1,525	722	
<b>Total Debt Service</b>	<b>\$ 6,790</b>	<b>\$ 6,916</b>	<b>\$ 8,921</b>	<b>\$ 2,005</b>	<b>29.0%</b>

**Debt Repayment**

A table of Outstanding Debt Loans by Type is located at Appendix F, depicting the decreasing balances per type of loan, as well as decreasing overall debt at the end of 2019-2020 and subsequent biennial budget periods. The Debt Loans Repayment Schedule, found at Appendix G, shows the total principal and interest payments as of the end of each biennial budget period. The primary increases in debt service payments include:

- Principal payments on the 2015 bonds began in 2018. The bonds will continue to be paid down over the next eight years until maturity.
- Bonds are scheduled to be issued in 2020 to fund construction of SCTP Phase 5B. Payments on the bonds are scheduled to begin in 2020.

**Limitation of Indebtedness**

Limitation of indebtedness applies to general obligation debt only. The Alliance has never issued general obligation debt, however, debt is diligently monitored through the Bond Coverage Ratio and Operating Expense and the Debt Principle Coverage Analysis, found at Appendix H. At any point in the future, if the Alliance issues general obligation debt, RCW 57.20.110 and 120 specifies a general obligation limitation of indebtedness of 0.5% of the value of the taxable property within its boundaries, in addition to the constitutional debt limitations. The assessed value of the Alliance service area as of December, 2017 is \$17.656 billion, which calculates to a legal debt limit of \$88.280 million. The Alliance's total debt outstanding as of December 31, 2018 is \$24.032 million, well

# **Discovery Clean Water Alliance**

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under this threshold. Indebtedness can also be measured through the ratio of debt to total equity. The table below reflects a current ratio for the Alliance including all Regional Asset debt. A maximum indebtedness ratio recommended for a public utility is also reflected, and illustrates that the Alliance's debt-to-equity ratio remains low versus public utility guidelines.

### **Debt-to-Total-Equity Ratio**

Capital Structure	Public Utility Guidelines	Alliance as of 12/31/2018	Alliance as of 12/31/2020	Alliance as of 12/31/2022	Alliance as of 12/31/2024
Debt %	60%	17%	38%	39%	20%
Equity %	40%	83%	62%	61%	80%
Total	100%	100.0%	100.0%	100.0%	100.0%

### 4.3.2 Existing Assets Repair and Replacement Account

Section 5 - Capital Program presents R&R projects necessary to keep the existing Regional Assets in good working order. R&R projects are generally financed by year-over-year receipt of RSCs from Members. Remaining proceeds from a "new money" issuance of revenue bonds in September 2015 were fully expended in the 2017-2018 budget period to support completion of the R&R capital projects programmed in that period. The following table has been developed to present a balanced and integrated management strategy for repair and replacement project delivery in the 2019-2020 biennium period.

**Existing Assets Repair and Replacement Account (\$000s)**

Existing Assets R&R Account	2015-2016 Actual	Amended 2017-2018 Budget	2019-2020 Budget	\$ Change	% Change
<b>Project Expenditures</b>					
Middle Salmon Creek Interceptor Point Repair	\$ 45	\$ -	\$ -		
Upper Salmon Creek Interceptor Repair	581	31	-		
Regional Biofilter - Upper Klineline Interceptor	190	1,078	-		
36th Avenue PS Pump Replacement	145	1,102	-		
SCTP Programmable Logic Controller Replacement	676	866	-		
SCTP Influent Screen Rebuild	-	134	-		
SCTP Dewatering Equipment Rebuild	-	233	-		
SCTP Fire Pump Controller Replacement	-	27	-		
SCTP Sludge Blend Tank Overflow Recovery	-	525	-		
BGFM Valve & Vault Repair	396	-	-		
SCTP Ops Water Chiller	65	-	-		
Klineline Interceptor Manhole Repair	-	-	287		
SCTP Digester Maintenance and Modifications	-	-	334		
SCTP Boiler Exhaust Stack Replacement	-	-	134		
SCTP Biosolids Cake Transfer Screw Replacement	-	-	402		
SCTP HVAC Systems Replacement	-	-	665		
SCTP Fire Alarm System Replacement	-	-	127		
SCTP Boiler Gas Boosters	-	-	217		
RTP Aeration Basin Mixer Support/Concrete Repair	-	-	76		
Annual R&R Allowance	-	314	262		
<b>Total Existing Assets R&amp;R Expenditures</b>	<b>\$ 2,098</b>	<b>\$ 4,309</b>	<b>\$ 2,504</b>	<b>\$ (1,805)</b>	<b>-41.9%</b>

- In the 2017-2018 biennium, \$1.2 million of construction on five R&R projects were funded from remaining bond proceeds from a 2015 bond issuance.

The progress of work on R&R projects is highly dependent on activities outside of the direct control of the Alliance. As a result, actual expenditures for each project may vary from that presented in the Capital Budget with the understanding that the combined budgets of all R&R projects will not be exceeded without a formal amendment of the Capital Budget.

The 2019-2020 portion of this table is presented for adoption as a component of the upcoming two-year capital budget. Existing assets R&R capital expenditures planned for the 2019-2020 budget period total \$2.504 million. The full 20-year capital planning horizon, detailed in Section 5, reflects a balanced-budget approach to estimated future project needs based on the best available information at the time of budget adoption. The future work will be reviewed and updated every two years in the process of preparing the capital budget for the next biennial budget cycle.

# Discovery Clean Water Alliance

## 2019-2020 Operating and Capital Budget

### 4.3.3 New Assets Capital Account

Section 5 - Capital Program presents the capital projects necessary to provide for system capacity needs, regulatory compliance requirements and level-of-service opportunities. As mentioned previously, these capital projects tend to be larger in scope and cost and, therefore, often require long-term financing. The SCTP Phase 5B project is scheduled to bid during the 2019-2020 biennium. Debt is planned to be issued in 2020 for construction of the project, after a financing evaluation was performed. Future Alliance capital budgets with near-term capital projects will receive a separate financing evaluation in alignment with the timing of construction scheduled for those projects.

The table below has been developed to present a balanced and integrated management strategy to deliver new assets capital projects. New assets capital expenditures not yet in construction will be funded from RSCs. In the 20-year planning horizon, additional debt financing will be required to fund several larger capital projects, with individual projects costing greater than \$10.000 million each.

#### New Assets Capital Account (\$000s)

New Assets Capital Account	2015-2016 Actual	Amended 2017-2018 Budget	2019-2020 Budget	\$ Change	% Change
<b>Project Expenditures</b>					
SCTP Phase 5A Project - Columbia River Outfall and Effluent Pipe	\$ 1,000	\$ 1,830	\$ 2,574		
SCTP Phase 5B Project - Plant Improvements	-	599	14,725		
<b>Total New Assets Capital Expenditures</b>	<b>\$ 1,000</b>	<b>\$ 2,429</b>	<b>\$ 17,299</b>	<b>\$ 14,870</b>	<b>612.2%</b>

- SCTP Phase 5A Project – Columbia River Outfall and Effluent Pipeline includes planning document development, supporting engineering and surveying work, environmental permitting, legal support, right-of-way acquisition, supporting elements of financial planning/stakeholder engagement, with construction slated to begin in 2021.
- SCTP Phase 5B Project – Plant Improvements includes all studies and preliminary engineering related to odor control and plant capacity assessment at SCTP, with construction slated to begin in 2020. Construction expenditures in the 2019-2020 biennium will be funded with a revenue bond issuance planned for 2020.

The progress of work on the Phase 5A and Phase 5B projects is highly dependent on activities outside of the direct control of the Alliance. As a result, actual expenditures for each project may vary from that presented in the Capital Budget with the understanding that the combined budgets of both projects will not be exceeded without a formal amendment of the Capital Budget.

The 2019-2020 portion of this table is presented for adoption as a component of the two-year capital budget. New assets capital expenditures planned for the 2019-2020 budget period total \$17.299 million. The full 20-year planning horizon, detailed in Section 5, reflects a balanced budget approach to estimated future project needs based on the best available information at the time of adoption. The future work will be reviewed and updated every two years in the process of preparing the capital budget for the next budget cycle.

## **Section 4.4**

### **Account Balance Summary**

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*The Alliance is presenting an Account Balance Summary to provide the historical, estimated and planned projections for account balances necessary to support delivery of wastewater transmission and treatment services. The 2019-2020 Operating and Capital Budget has been prepared to be consistent with specific Alliance financial policies and general professional practices appropriate for a regional wastewater transmission and treatment utility.*

# Discovery Clean Water Alliance

## 2019-2020 Operating and Capital Budget

### 4.4 Account Balance Summary

Account Balance Summary (\$000s)	HISTORICAL	ESTIMATED	PLANNED		
	Actual 2015-2016	Projected 2017-2018	Projected 2019-2020	Projected 2021-2022	Projected 2023-2024
<b>Operations &amp; Maintenance (O&amp;M)</b>	\$ 1,047	\$ 1,319	\$ 852	\$ 852	\$ 852
<b>Rate Stabilization</b>	143	296	450	600	750
<b>Debt Service</b>	1,360	1,407	1,407	1,407	1,407
<b>Repair and Replacement (R&amp;R)</b>	4,352	2,976	3,226	3,476	3,726
<b>Capital Improvement Program (CIP)</b>	69	187	287	287	287
<b>TOTAL ALLIANCE FUNDS</b>	<b>6,971</b>	<b>6,186</b>	<b>6,222</b>	<b>6,622</b>	<b>7,022</b>
<b>Contracts Receivable</b>	1,969	1,983	1,543	1,543	1,543
<b>TOTAL FUNDS</b>	<b>\$ 8,940</b>	<b>\$ 8,169</b>	<b>\$ 7,765</b>	<b>\$ 8,165</b>	<b>\$ 8,565</b>

## **Section 5**

### **CAPITAL PROGRAM**

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

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## 5.1 2019-2038 20-Year Capital Plan

### Capital Plan Introduction

The Alliance is an owner and operator of Regional Assets providing wastewater transmission and treatment services to its Members. As such, one of the most important business functions of the Alliance is to have a well-developed capital program for the management of its assets. As mentioned in Section 2, the purpose and scope of the Capital Plan is to present the blueprint for the Alliance to meet its infrastructure obligations to its Members for regional wastewater services. Infrastructure obligations are met through the maintenance of existing Regional Assets and through the construction of new Regional Assets. Twenty-year planning is ongoing to assess the repair or replacement work necessary for existing assets. In tandem, strategic assessment of growth trends, changes in regulatory environments, and changes in Member needs all may drive capital investment in new assets over a 20-year horizon.

The 2018 Capital Plan update, a separate document, presents the Regional Assets capital program for the Alliance, including the work required to repair or replace existing assets (R&R Program) and to construct new assets (CIP Program). Detailed project profiles for all projects identified in the Capital Plan are presented in the appendices of the Capital Plan document. The plan depicts near-term needs (two-year and six-year projects) as well as long-term needs (20-year projects). The 20-Year Capital Plan Programming Summary table found on page 63 represents an overview of the capital investments identified for both the R&R and CIP programs. The dates associated with specific projects in this summary table are consistent with the updated growth and timeline analyses depicted in the Capital Plan.

### Repair and Replacement (R&R) Program

The 2018 Capital Plan considers R&R project needs greater in value than the established 2018 Alliance capital project threshold of \$63,000. Projects below this threshold are referred to the Alliance Operators for consideration in the establishment of Alliance operating budgets. The initial Alliance Capital Plan (adopted in 2014) and the 2016 Capital Plan update (adopted in 2016) incorporated existing condition assessments and asset management strategies from the Member agencies involved in the operation of the Regional Assets. The 2018 Capital Plan update incorporates a more thorough and systematic review of primary systems within the Regional Assets. Although not exhaustive, this plan represents progress toward the ultimate goal to establish a fully sustaining asset management program for all Regional Assets.

**Initial Condition and Criticality Assessment (ICCA).** In order to inform the Capital Plan and related budget processes, the Alliance sponsored formal "initial condition and criticality assessments" (ICCA) for the regional pump stations and treatment plant assets. The intent of the assessments was to identify the condition and establish a criticality for the primary components assessed. The work was facilitated by an independent consultant experienced in wastewater conveyance and treatment, and supported by operations staff with direct knowledge of the assets.

The ICCA work focused on the primary systems within the Ridgefield and Salmon Creek Treatment Plants (RTP and SCTP), the 117<sup>th</sup> Street Pump Station, and the 36th Avenue Pump Station. Along with the primary conveyance and treatment systems, evaluations of the facilities considered the condition of buildings and structures as well as any grounds or site improvement needs. For this initial work, only the primary components and systems were considered. For example, structures, building systems, pumps, and valves were evaluated while specific hatches, door hardware, or light switches within a building were not evaluated.

The next Capital Plan update (anticipated in 2020) will be further expanded to include condition and criticality evaluation of additional components such as the following:

- Buried pipelines (gravity interceptors, force mains and appurtenances, in-plant buried pipelines)
- Treatment plant-wide facility lighting

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- Treatment plant transformers and power supply systems
- Instrumentation and controls systems
- Other components as determined through the next condition and criticality assessment

**Project Prioritization Process.** After combining individual components of work into logical projects, each project was evaluated and systematically scored for the following:

- Overall asset condition or "likelihood (risk) of failure" of the asset
- Overall asset criticality within the system or "consequence of failure" of the asset

A criteria guide was utilized for scoring condition and criticality to ensure consistency across the various components and systems being considered. After condition and criticality were determined, those scores were multiplied together to determine the overall priority for the project. The condition, criticality and resulting priorities were reviewed with the Alliance Standing Committees during the first half of 2018. All projects with a score of 25 or higher were carried forward into the 2018 Capital Plan update. This represents the most important projects, due to either poor condition, high criticality, or both. Projects not meeting the threshold score will continue to be monitored and may or may not rise to a level of action for the next update.

**Return on Investment (ROI) Projects.** Some projects have been evaluated based on cost savings over time rather than condition and criticality priority. These types of projects are generally related to new technology or electrical power savings. They are commonly referred to as return on investment, or ROI projects. ROI criteria utilized in the programming process are based on a simple payback calculation (total project capital cost divided by projected annual operating cost savings). Where rebates were applied for documented energy saving programs, the credits were used to offset capital costs in the ROI calculations. Net ROI performance was then prioritized according to the following three tests:

1. Projects with a net ROI of less than five years were prioritized for early delivery, fitting within existing cash flow constraints as soon as practically possible.
2. Projects with a net ROI of less than ten years were programmed into the overall plan, considering practical factors such as bid packaging and other implementation efficiencies.
3. Projects with a net ROI of greater than ten years were not further prioritized from an efficiency standpoint, but may still be considered based on the applicability of other criteria.

**Project Programming.** The programming effort began with the listing of projects according to priority, then factored in other considerations such as available funding, corresponding capital projects, staff work load, and specific project design and permitting schedules. The Standing Committees reviewed and endorsed the programming prior to presentation to the Alliance Board of Directors. A total of 15 R&R projects were identified and prioritized through the ICCA process for inclusion in the 20-Year Capital Plan, of which nine were newly-identified scopes of work and six were previously identified projects. One project relates to the Klineline Interceptor, one project relates to the Ridgefield plant, and the remaining 13 projects relate to the Salmon Creek plant. Eight R&R projects are programmed for the 2019-2020 biennium. The 20-year programming of R&R projects is summarized in the table located at page 63.

As noted previously, the proposed plan does not evaluate every component or piece of equipment in the system, and defers some evaluations to the next biennium, i.e. buried pipelines, etc. In order to account for those undefined needs and provide a complete 20-year Capital Plan, the following project allowances are established:

- \$125,000 per year for years 1-6
- \$1,000,000 per year for years 7-20

The R&R projects for existing Regional Assets are carried forward into the Capital Budget to determine appropriate funding mechanisms and the resulting Regional Service Charges.

### **Capital Improvement Projects (CIP) Program**

CIP projects represent the infrastructure investments needed to address system capacity, new regulatory obligations or new level-of-service commitments. The planning basis for individual projects is developed in the Member agency planning documents listed in the separate Capital Plan document, Section 2 - Planning. Individual capital project profiles are detailed in the appendices of the Capital Plan.

It is important to note that the timelines associated with the capacity project recommendations in the Member agency planning documents was, in general, based on underlying data from a higher growth environment prior to the late-2007 to mid-2009 national economic downturn, often referred to as the "Great Recession". If followed as originally outlined, these more aggressive timelines would have indicated additional infrastructure investment during a period when the Member agencies would not have been able to afford or to utilize the new capacity. In order to provide a more practical assessment, the 2018 Capital Plan update recommends an updated timeline for future capacity investments that is reflective of more current growth realities, while still being prudently conservative in terms of providing capacity ahead of demand.

In support of future capacity assessment, an analysis of the treatment capacity of the SCTP is included in the 2018 Capital Plan update. The SCTP is the primary Regional Asset in terms of overall size, complexity and historical cost. In addition, it represents the limiting capacity element in the overall Salmon Creek Wastewater Management System (SCWMS), including upstream pipelines and pump stations. SCTP capacity has been assessed relative to the criteria for both flow and wasteload.

**Flow.** Taking multiple factors into consideration such as overall growth in the system, rainfall patterns and changes in water use, flow assessments indicate that capacity in the system needs to be increased approximately by the year 2025. This timeline provides a small capacity buffer, which can help address factors that cannot be predicted precisely, such as the potential for wet weather conditions or above-historical-trend growth rates.

**Wasteload.** In terms of wasteload assessment, the Department of Ecology requires two specific parameters to track plant capacity, the measurement of the particulate solids and the measurement of biological activity in the wastewater. Taking these two factors into consideration, wasteload assessment indicates capacity in the system would be reached by approximately 2022-2023. Due to these current capacity assessment projections, a plan for maintaining adequate capacity for the SCTP is required to be submitted to Ecology in 2018. The Engineering Reports for the two SCTP Phase 5 Expansion capital projects presented in Section 5.3 (page 69) have been submitted in 2018 to satisfy this requirement.

The 2018 Capital Plan update also includes a future project to provide an updated General Sewer Plan/Wastewater Facilities Plan in order to appropriately anticipate and meet the permit requirement for plans to maintain adequate capacity. The capacity of the existing system will be evaluated in additional detail within the planning document to confirm the specific cost and timing for future capacity needs. The 20-year programming of CIP projects is presented in the summary table located at page 63.

### **R&R and CIP Project Profile Summaries**

Profile summaries for the R&R and CIP projects scheduled through the 2019-2020 budget period are presented on pages 65-69, following the 20-Year Capital Plan Programming Summary.

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

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## 20 Year Capital Plan Programming Summary

### Repair and Replacement (R&R) Program (all costs are in 2018 dollars)

Year	Spent to-Date	1 2		3 4		5 6		7		8		9		10		11		12		13		14		15		16		17		18		19		20 YR Period Total	Project Total
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038														
<b>Expenditures</b>																																			
<b>R&amp;R Projects</b>																																			
#1-80 Klineline Interceptor Manhole Repair	-	27	244	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	271	271				
#2-IC SCTP Digester Maintenance and Modifications	-	324	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	324	324				
#3-70 SCTP Boiler Exhaust Stack Replacement	-	130	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	130	130				
#4-70 SCTP Biosolids Cake Transfer Screw Replacement	-	390	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	390	390				
#5-70 SCTP HVAC Systems Replacement	-	300	336	185	142	142	142	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,248	1,248					
#6-70 SCTP Fire Alarm System Replacement	-	-	120	1,281	137	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,538	1,538					
#7-56 SCTP Boiler Gas Boosters	-	20	185	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	205	205				
#8-50 SCTP Sludge Blend Tank Slope Stabilization	-	-	-	-	123	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	123	123					
#9-35 SCTP Primary Sludge Pump Replacement	-	-	-	-	428	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	428	428					
#10-35 SCTP Access Road and Asphalt Repair	-	-	-	-	-	286	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	286	286					
#11-30 SCTP Fire Pump Controller Replacement	-	-	-	-	-	272	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	272	272					
#12-P6 SCTP Influent Screen Replacement (Phase 6)	-	-	-	-	-	33	33	33	163	326	65	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	652	652						
#13-P6 SCTP UV System Replacement (Phase 6)	-	-	-	-	-	165	165	165	823	1,647	329	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,293	3,293						
#14-P6 SCTP Dewatering Equipment Replacement (Phase 6)	-	-	-	-	-	167	167	167	836	1,673	335	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,345	3,345						
#15-50 RTP Aeration Basin Mixer Support/Concrete Repair	-	74	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	74	74					
Annual R&R Allowance	-	125	125	125	125	125	125	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	14,750	14,750				
<b>Total Annual R&amp;R Projects Expenditures</b>	-	1,390	1,010	1,591	955	1,190	632	1,365	2,823	4,645	1,729	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	27,329	27,329						

9 New Projects Identified Through 2017-2018 ICCA Process

### Capital Improvement Projects (CIP) Program (all costs are in 2018 dollars)

Year	Spent to-Date	1 2		3 4		5 6		7		8		9		10		11		12		13		14		15		16		17		18		19		20 YR Period Total	Project Total
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038														
<b>Expenditures</b>																																			
<b>CIP Projects</b>																																			
117th Street PS Capacity Upgrade	-	-	-	-	-	-	600	600	1,200	3,000	6,600	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,000	12,000					
SCTP Phase 5A Expansion (Outfall/Effluent Pipeline)</td																																			

**Discovery Clean Water Alliance**  
2019-2020 Operating and Capital Budget

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## 5.2 2019-2020 Existing Assets Repair and Replacement (R&R) Projects Overview

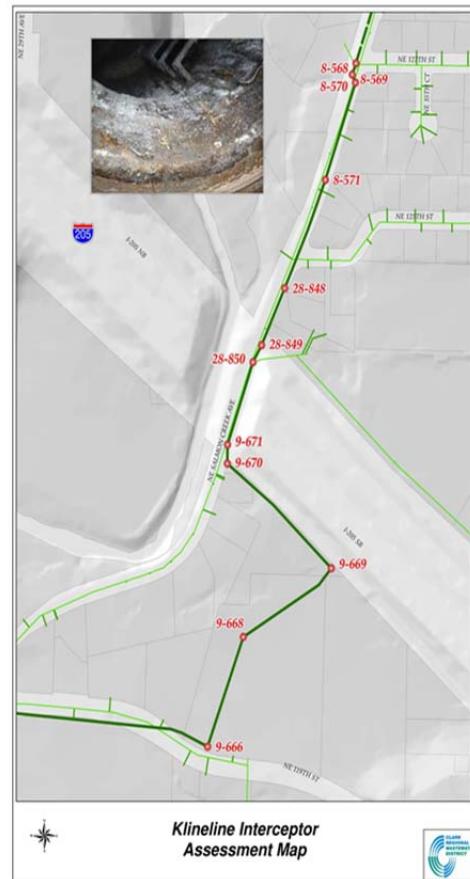
### Klineline Interceptor Manhole Repair

**Cost:** \$271,000

**Scope:** The project will repair 12 Klineline Interceptor (KLI) Manholes degraded by high concentrations of hydrogen sulfide associated with discharge of the St. Johns Interceptor and Battle Ground Force Main into the Klineline Interceptor.

Since construction in 2006, the Klineline Interceptor has been exposed to high levels of hydrogen sulfide, which has degraded the existing concrete structures. The existing manholes are degrading at a much faster rate than typical for this type of installation; rehabilitating the manholes will protect this infrastructure. Rehabilitation includes cleaning and inspection to ensure there is no structural damage, and installation of a cementitious corrosion-resistant liner to protect interior areas exposed to hydrogen sulfide gasses.

**Basis:** Condition



### SCTP Digester Maintenance and Modifications

**Cost:** \$324,000

**Scope:** The project addresses expected corrosion of the overflow box at Digester No. 1 and installs safety hatches and level controls to both Digester No. 1 and Digester No. 2.

The digester vessels are special pre-stressed post-tensioned tanks, which enable relatively thin walls compared to traditional reinforced concrete construction. Proactive inspection is warranted due to consequence of undiscovered deficiencies. Prior to inspection, Digester No. 1 will be cleaned under a Clark County project separate from this work. Inspection will be performed by a qualified structural engineer, corrosion engineer, and representative of original tank designer, DN Tanks. This manned inspection of Digester No. 1 requires removal of grit and debris, and scaffolding installation. Any structural deficiency mitigation is not included in this budget. The project will modify the existing overflow box, and existing interior piping will be recoated. New weighted hatches will be installed on new covers at the digester overflow boxes of both Digesters No. 1 and No. 2. The project will test performance of the existing level-indicating and pressure-indicating instruments, and install new radar-type sensors in Digester No. 1 and Digester No. 2 roof areas. The project will also replace the gaskets at the manways.



**Basis:** Condition

# Discovery Clean Water Alliance

## 2019-2020 Operating and Capital Budget

### SCTP Boiler Exhaust Stack Replacement

**Cost:** \$130,000

**Scope:** The project will install new, more robust boiler stacks that are designed to withstand the required operating conditions.

Each of the two existing boiler stacks are in very poor condition. The continuous condensation of the flue gases has resulted in severe corrosion damage over time. The existing stacks will be replaced with new stacks constructed of a Type 444 stainless steel liner, insulating layer, and stainless steel shell. These materials are more equipped to handle corrosive digester gases.

**Basis:** Condition



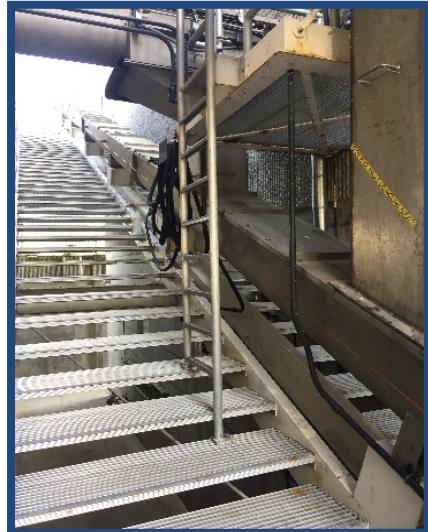
### SCTP Biosolids Cake Transfer Screw Replacement

**Cost:** \$390,000

**Scope:** The biosolids "cake" transfer screw is crucial to the operation of SCTP. Malfunctions cause significant interruptions to the solids handling process. The project will minimize operational disruptions and provide more reliable operation of the cake transfer screw.

The existing cake transfer screw is a shafted screw conveyor with intermediate hanger bearings. The bearings have failed multiple times over the past 20 years, causing operational disruptions and frequent repairs. The project will replace the screw conveyor with a new stainless steel shaftless conveyor that does not require hanger bearings. The new conveyor system will replace all components of the existing system. The new system will have a lined trough and a new efficient motor and drive. As part of this project, the roof of the solids hopper will be replaced. It is showing signs of corrosion and will be replaced in conjunction with the modifications to the cake transfer screw.

**Basis:** Condition



### SCTP HVAC Systems Replacement

**Cost:** \$1,248,000

**Scope:** This project will replace aged HVAC equipment for several facilities at Salmon Creek Treatment Plant.

Much of the HVAC equipment at SCTP was installed in the late 1990s and is beyond its useful life. The project will replace the following HVAC equipment over a six-year replacement program period:

- Immediate Replacement (2019-2020): \$636,000
- Replacement in Near Future (2021): \$185,000
- Equipment To Be Replaced in Future (2022-2024): \$427,000



See the supplemental information section of the Project Profile in the Capital Plan for additional detail on the specific units programmed for replacement.

**Basis:** Condition

## SCTP Fire Alarm System Replacement

**Cost:** \$1,538,000

**Scope:** The project will replace the existing 20-year-old fire alarm system at SCTP with a new system in line with current fire alarm technology.

The existing fire alarm system was installed as part of the Phase 3 expansion at Salmon Creek Wastewater Treatment Plant in 1998 and is in need of replacement. The project will replace fire alarm systems in 11 facilities at SCTP. The project will fully replace all fire system components and reprogram the new system to tie in to the SCTP network. The new system will utilize existing conduit, but will replace all wiring and conductors. The project will determine the most applicable and efficient fire support equipment and systems monitoring entity to meet code requirements and provide the level of service and protection required for SCTP.

**Basis:** Condition



## SCTP Boiler Gas Boosters

**Cost:** \$205,000

**Scope:** The project will install gas pressure boosting equipment to increase the firing rate and temperature of the boilers to ensure boilers are operating at sufficient capacity to meet a simultaneous peak process and HVAC heating demand without forming condensation.

The boiler exhaust stacks are experiencing significant corrosion damage due to contact with condensation formed inside the stacks. The issue of condensation is directly connected to the firing capacity of the boiler. To resolve this, the boiler needs to operate at its rated capacity, such that only one boiler operates at a time and the average firing rate and associated stack temperature are increased. The project will append a small structure to the outside of the boiler room, install gas pressure boosting equipment and route piping to and from gas supply lines as required to increase the firing rate and operational temperature of the boilers.



**Basis:** Condition

# Discovery Clean Water Alliance

## 2019-2020 Operating and Capital Budget

### RTP Aeration Basin Mixer Support/ Concrete Repair

**Cost:** \$74,000

**Scope:** The project will perform structural repairs to the aeration basins and modify the mixer support anchorage to prevent similar damage in the future.

The mixer support on the existing aeration basins was installed without allowance for thermal expansion of the support bridge. Over time, the anchors securing the mixer support to the basin walls have torn out of the concrete, causing concrete spalling in the area around the anchors. The project will design and install a new mixer support that allows for thermal expansion. The project will also repair the structural damage done to the existing aeration basin walls.

**Basis:** Condition



## 5.3 2019-2020 New Assets Capital (CIP) Projects Overview

### Salmon Creek Treatment Plant Phase 5 Expansion:

#### SCTP Phase 5A Project – Columbia River Outfall and Effluent Pipeline

**Cost:** \$24,500,000

**Scope:** This project will provide an increase to Alliance Members' Allocated Capacity of the Salmon Creek Treatment Plant Outfall with installation of a new effluent pipeline and replacement of the in-water and on-shore segments of the outfall pipeline. The outfall replacement will ensure adequate mixing and dilution of treated wastewater discharged into the Columbia River and address streambank erosion affecting the existing pipeline.



Construct a new effluent pipeline approximately 6,200 feet long and 48 inches in diameter from the treatment plant to the west side of Lower River Road. The route will cross the BNSF railroad, Salmon Creek, Lake River and Lower River Road, requiring significant permitting and real property coordination to prepare the project for bid and construction. The project will also install approximately 1,000 feet of new outfall pipeline from Lower River Road to a new in-water diffuser assembly in the Columbia River. The new pipeline will parallel and replace the in-water portion of the outfall pipeline installed in 1975. The project will also replace the existing effluent pumps at the treatment plant with new pumps that are hydraulically matched to the new effluent pipeline size and configuration.

**Basis:** Capacity

#### SCTP Phase 5B Project – Salmon Creek Treatment Plant Improvements

**Cost:** \$24,000,000

**Scope:** This project will provide an increase to Alliance Members' Allocated Capacity in the Salmon Creek Treatment Plant (SCTP), in order to meet the needs of a growing service area.

The Phase 5B Expansion project will construct an odor control system for the Preliminary and Primary Treatment facilities, including the addition of covers over the Primary Clarifiers. The project will demolish existing Secondary Clarifier 2 to allow for construction of new Aeration Basin 7, per the long-term site master plan. An additional blower is being added to support the new basin. The project will demolish existing building 87 (the plant's original administration facility) in order to allow for construction of new Secondary Clarifier 5, also per the site master plan. Return Activated Sludge (RAS) system improvements include a RAS chlorination system and all new RAS pumps (seven pumps total). A proprietary sludge conditioning system is included in the scope of the project to enhance dewatering performance.



**Basis:** Capacity

**Discovery Clean Water Alliance**  
**2019-2020 Operating and Capital Budget**

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## APPENDIX

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

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## APPENDIX A

### Glossary of Terms

**Account**

A fiscal allocation of funds that is segregated for the purpose of carrying out a specific purpose or activity.

**Account Balance**

The amount of assets in a fund that are in excess of the amount of liabilities. When liabilities exceed assets, it is sometimes called a deficit.

**Accrual Basis of Accounting**

A basis of accounting in which transactions are recognized when they occur, as opposed to being recognized when the actual cash changes hands.

**Administrative Lead Contract**

An agreement between the Alliance and Clark Regional Wastewater District (the District) designating the District as the Administrative Lead to administer and manage the overall affairs of the Alliance.

**Adopted Budget**

The final budget approved by the Board of Directors.

**Balanced Budget**

A budget in which revenues equals or exceeds expenditures.

**Battle Ground Force Main (BGFM)**

Nine-mile long 16-inch diameter force main (FM), with bioxide chemical dosing/injection facility, routed southwesterly from Battle Ground pump station (PS) to Klineline interceptor at NE Salmon Creek Avenue. The pipeline was constructed in the early 1990's.

**Beginning Account Balance**

The residual account balance representing unused funds brought forward from the previous biennial period (ending account balance).

**Budget**

An estimate of revenues and expenditures for a period of time into the future.

**Capital Cost Allocation Framework**

The Alliance utilizes an "asset-based" cost allocation framework where Members pay Regional Service Charges (RSCs) based primarily on Allocated Capacity in individual Regional Assets or groupings of Regional Assets.

**Capital Expenditure**

An expenditure used to acquire or construct a tangible asset with a cost greater than \$5,000 and a useful life of greater than one year.

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

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### **Cash Basis**

An accounting basis in which revenues and expenditures are recorded when cash changes hands, rather than when the underlying activity occurred.

### **Debt Limit**

The maximum amount of gross or net debt which is legally permitted per Washington state law.

### **Debt Service**

The principal and interest due and payable on outstanding revenue bonds and loans.

### **Debt Service Account**

An account used to hold restricted amounts for the principal and interest payments on the 2015 sewer revenue bonds, SRF loans, and PWTF loans.

### **Defeasance**

The legal release of a debtor from being the primary obligor under the debt, either by the courts or by the creditor.

### **Deficit**

(1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period; or, in the case of proprietary funds, the excess of expense over revenues during an accounting period.

### **Depreciation**

The allocation of the cost of a capital asset to future periods benefited by the asset. This accounts for the wear and tear, deterioration, and obsolescence of the asset that occurs after it is placed into service.

### **Enterprise Fund**

Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services.

### **Existing Asset Repair and Replacement (R&R) Account**

Provide funding for existing Regional Asset repair and replacement projects to keep the assets in good working order.

### **Expenses**

Under the accrual basis of accounting an expense account records the cost of goods or services received without consideration of whether cash was expended or not.

### **Fiscal Year**

Any period of twelve months that is designated as the operating year for accounting and budgeting purposes. The Alliance's fiscal year is from January 1st through December 31st per Washington state statute.

### **Generally Accepted Accounting Principles (GAAP)**

Standards formulated by the Governmental Accounting Standards Board that set the guidelines used for accounting and reporting for government entities.

### **Joint Municipal Utility Services Act (JMUSA)**

Revised Code of Washington (RCW) 39.106, otherwise known as the Joint Municipal Utility Services Act, was passed by the Washington State Legislature in 2011. It allows for any form of municipal water-related utility

service to be provided and supports any combination of municipal partner agencies as Members and is governed by an interlocal framework established under JMUSA.

**Interlocal Agreement**

An agreement between two or more government entities.

**New Assets Capital Account (CIP)**

Provide funding for new Regional Asset construction and acquisition necessary to provide for system capacity needs, regulatory compliance requirements, and level-of-service opportunities.

**Operations and Maintenance (O&M) Account**

An account that provides for the daily routine needs of the Alliance. This account is used to financially sustain effective delivery of Alliance core functions.

**Proprietary Fund**

A business-like fund of a state or local government that provides goods or services for a fee. There are two types of proprietary funds as follows:

- Internal service funds – These funds are used for operations serving other funds or departments within a government on a cost-reimbursement basis.
- Enterprise funds – These funds are used for services provided to the public on a user charge basis, similar to the operation of a commercial enterprise.

**Public Works Trust Fund (PWTF)**

A fund overseen by the state of Washington Department of Ecology that is used to loan state monies to local governments for infrastructure projects.

**Regional Service Charges (RSCs)**

Charges to Member governments to fund continued operations, debt service payments, repair and replacement to existing assets, and new capital construction or acquisition.

**Reserve**

Assets that are segregated for future use or for a specific purpose.

**Resources/Sources (financial)**

Total amounts available to fund expenditures.

**Revenue**

Income received by the Alliance used to fund general operations, debt service, and capital construction projects. Revenue sources include regional service charges and investment income.

**Ridgefield Treatment Plant (RTP)**

A secondary treatment plant originally constructed in 1959 with several upgrades since then. The plant is located on West Cook Street in Ridgefield, WA. The plant outfall is a 10-inch diameter pipeline routed west of the plant 0.2 miles, terminating in Lake River.

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

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### **Salmon Creek Treatment Plant (SCTP)**

A secondary treatment plant originally constructed in the mid 1970's, with four major expansion phases. The plant is located at 15100 NW McCann Road in Vancouver, WA. The plant outfall is a 30-inch diameter pipeline routed west of the plant 1.3 miles, terminating in the Columbia River between mile 95 and 96.

### **Salmon Creek Wastewater Management System (SCWMS)**

The Salmon Creek Wastewater Management System consists of the SCTP and its related transmission facilities.

### **Sources (financial)**

Total amounts expected to be received in a given budget cycle.

### **Special Purpose District**

An independent governmental unit that exists separately from a general purpose government.

### **State Revolving Fund (SRF)**

A fund administered by the state of Washington that provides low-interest loans for investment in water and sewer sanitation infrastructure.

### **Uses (financial)**

Total amounts expected to be expended in a given budget cycle.

### **Wastewater District**

A special purpose district that provides sanitary sewer services.

## APPENDIX B

### Financial Policies Framework

<b>Category</b>	<b>Objective</b>	<b>Policies</b>
Reserves	Reserve balances are funds that are set aside for specific project, task, covenant requirement, and / or emergency. These balances are maintained in order to meet short-term cash flow requirements, while at the same time minimizing the risk associated with meeting financial obligations and continued operational needs under adverse conditions.	O&M, RSC Stabilization, Debt Service, R&R and Capital Reserves
Debt	Market debt, non-market debt and loans are all potential funding sources to buy, build or rebuild/replace capital assets by the Alliance. All debt issuances require that debt service coverage ratios be met and compliance with continuing disclosure requirements.	Debt Service, Debt Service Coverage Ratio, Continuing Disclosure and Debt Policy
Revenue Sufficiency	The Alliance has ongoing revenue requirements from its Members to pay operating expenses, buy or build capital assets, service debt and maintain reserves. Revenue sufficiency insures that charges will be set at a level to remain a self-sufficient utility.	Charge Adoptions and Revenue Pledge by Members
Financial Planning, Regulatory Compliance and Investments	Policies which support financial planning, regulatory compliance and investing help promote the financial integrity and stability of the Alliance, and help provide guidance and consistency in decision-making for the Alliances' management and Board.	Financial Planning, Regulatory Compliance and Investment Policy
Sustainability of Infrastructure	In conjunction with establishing and planning its capital program, Alliance will develop a corresponding capital-financing plan that supports execution of that program, and is capable of sustaining long-term capital requirements. The capital program will incorporate system expansion, upgrades and improvements, and system repair and replacement. The intention is to establish an integrated funding strategy.	Capital Facilities Planning and Capital Facilities Funding

## APPENDIX C

### Administrative Services Operating Budget

**Administrative Lead: Clark Regional Wastewater District**

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**



To: John Peterson, P.E., General Manager, Clark Regional Wastewater District  
Ken Andrews, CPA, Finance Director, Clark Regional Wastewater District

From: Brian Wolf, CPA, Clark Regional Wastewater District

Subject: Draft 2019-2020 Budget – Administrative Services – District

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Attached is the District's draft 2019-2020 budget for Administrative Services to the Alliance.

This memo provides a summary of key factors that are reflected in the budget proposal. The following exhibit is attached:

### **Exhibit A – Detailed Administrative Lead Services Operating Budget**

The District operates on an annual budget. District Management provides valuable input throughout the budget process to determine expected operating costs for Administrative Lead Services. This budget is largely driven by the timing and related complexities of capital projects.

The District is proposing a total 2019-2020 Administrative Service Budget of \$2,286,000; an increase of 27% over the prior biennium budget. This increase is driven by the following factors:

- The addition of a dedicated full time employee, Capital Program Manager of Regional Assets, who will oversee capital planning and capital project delivery for a \$19.7 million capital budget in the 2019-2020 biennium
- Professional contract support for project delivery of the Salmon Creek Treatment Plant Outfall (Phase 5B) and Plant Expansion (Phase 5A) projects
- Provide support for the environmental monitoring in the Columbia River to inform regulatory process affecting Phase 5B
- Project delivery for the repair or replacement of eight existing regional assets
- Continued development of an Asset Management Program that will aid in monitoring the condition (risk of failure) and criticality (consequence of failure) for all existing regional assets
- New revenue bond issuance planned in early 2020 for Phase 5B construction

These factors are driven primarily by a growing capital program aimed to deliver wastewater transmission and treatment services to meet the ongoing need of the region.

# Discovery Clean Water Alliance

## 2019-2020 Operating and Capital Budget

### Exhibit A

#### Administrative Lead Services to the Discovery Clean Water Alliance 2019-2020 Budget Proposal

	2017-2018 Budget	2019-2020 Budget	\$ Change	% Change
<b>Expenses</b>				
Administrative Lead Contract				
<i>Contract Services</i>				
Executive and Administrative Services	\$168,000	\$192,000	\$24,000	14%
Financial and Treasury Services	167,000	169,000	2,000	1%
Engineering Services	484,000	699,000	215,000	44%
<b>Total Contract Services</b>	<b>819,000</b>	<b>1,060,000</b>	<b>241,000</b>	<b>29%</b>
<i>Professional Services</i>				
Capital Program Support/Regulatory Compliance	400,000	615,000	215,000	54%
Computer/IT	1,000	1,000	-	0%
Communications/Public Engagement	15,000	40,000	25,000	167%
Financial Consulting	20,000	10,000	(10,000)	-50%
<b>Total Professional Services</b>	<b>436,000</b>	<b>666,000</b>	<b>230,000</b>	<b>53%</b>
<i>Other Expenses</i>				
Utilities	2,000	1,000	(1,000)	-50%
Advertising/Public Notices	2,000	1,000	(1,000)	-50%
Miscellaneous	26,000	26,000	-	0%
<b>Total Other Expenses</b>	<b>30,000</b>	<b>28,000</b>	<b>(2,000)</b>	<b>-7%</b>
<b>Total Administrative Lead Contract*</b>	<b>1,285,000</b>	<b>1,754,000</b>	<b>469,000</b>	<b>36%</b>
Insurance Contract				
<i>Property, Liability, Errors/Omissions</i>				
380,000	340,000	(40,000)	-11%	
Legal Services Contract				
<i>Foster Pepper PLLC</i>				
85,000	80,000	(5,000)	-6%	
Professional Services - Environmental Monitoring				
<i>City of Vancouver</i>				
-	90,000	90,000	-	0%
Audit Services				
<i>Washington State Auditor's Office</i>				
29,000	29,000	-	0%	
Other Expenses				
<i>DAC Bond fee</i>				
5,000	5,000	-	0%	
<i>Clark County Property Taxes</i>				
12,000	12,000	-	0%	
<i>Misc Bank fee, permits, service charges</i>				
1,000	1,000	-	0%	
<b>Total Other Expenses</b>	<b>18,000</b>	<b>18,000</b>	<b>-</b>	<b>0%</b>
<b>Total Other Contracts</b>	<b>512,000</b>	<b>557,000</b>	<b>45,000</b>	<b>9%</b>
<b>Budget/Plan Totals - Administrative Services</b>	<b>\$1,797,000</b>	<b>2,311,000</b>	<b>\$514,000</b>	<b>29%</b>

\*Capital Labor Allocation included in total Administrative Lead Contract

## **APPENDIX D**

### **Salmon Creek Wastewater Management System Operator Budget**

#### **Battle Ground Force Main Operator Budget**

**Operator: Clark County**

*Note: This document is abbreviated to information relevant to  
the Discovery Clean Water Alliance budget process.*

# Discovery Clean Water Alliance

## 2019-2020 Operating and Capital Budget

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To: John Peterson, P.E., General Manager, Clark Regional Wastewater District  
Ken Andrews, CPA, Finance Manager, Clark Regional Wastewater District

From: Travis Capson, Wastewater Operations Manager, Clark County Public Works

Date: September 14, 2018

Subject: 2019/2020 Budget Proposal – Salmon Creek Treatment Facility

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Attached is the county's preliminary 2019/2020 budget proposal for the operation of the Salmon Creek Treatment Facility and the Battle Ground Force Main. The County is going to an annual budget in 2019. We have provided 2020 estimates for the Clark Regional Wastewater District to assist with their biennium process.

This cover memo provides a summary of several key assumptions that are reflected in the budget proposal. There are three exhibits also attached:

- Exhibit A: Fund 4580 2019/2020 Baseline budget with decision packages
- Exhibit B: Fund 4583 budget – repair and replacement
- Exhibit C: Decision package requests

The county operates on annual budget cycle beginning in 2019. Departments submit a "baseline" budget which typically matches total budget authority established for the previous term (minus any one-time requests.) The baseline includes any across the board increases for cost of living, countywide indirect costs, liability insurance, and any other line items that are considered fixed and not controllable by departments.

All additional requests over and above the baseline operating budget are done through the decision package process and receive internal review. It is important to note that the operating expenses (Fund 4580) associated with the decision package requests are included in the attached spreadsheets.

The county is proposing a preliminary 2019/2020 operating budget for the Salmon Creek Treatment Facility of \$8,179,313.

The Repair and Replacement budget for the treatment plant is based on one equipment repair and replacement project of \$60,000, plus \$200,000 for miscellaneous small project repairs and replacement projects that typically come up during the biennium.

A few key budgetary assumptions are summarized below. Additional information on the budget assumptions, comparison to the adopted 2017/2018 budget, and descriptions of the decision packages are included in the exhibits.

**Operating Budget (Fund 4580) – Salmon Creek Treatment Facility**

The 2019/2020 operating budget for Fund 4580 is shown in Exhibits A, B and C. (Includes BG Force Main.)

A few of the assumptions and significant changes to this budget include:

- The proposed budget reflects changes in salaries and benefits. This is due to the following:
  1. Additional request of a Grounds Maintenance Worker
  3. Eliminate the salaries and benefits out of Solids and adding it to Operations
  4. Increasing budget for two potential leave payouts in Operations
  5. Increasing budget for management oversight
  6. Add budget for over time and comp time for BG Force Main
- The proposal realigns budgeted expenses into appropriate plant object codes.
  1. Increasing budget for unforeseen maintenance costs
  2. Decrease budget for Battle Ground chemicals
  3. Move a portion of professional services budget from 2019 to 2020
  4. Move filing/recording/permit fee budget from Solids to Operations
  5. Move budget from chemical supplies in Solids to parts in Maintenance
- The proposed budget adds one capital equipment purchase
  1. Increase budget to purchase one forklift and add the corresponding ER&R costs

**Repair and Replacement Budget (Fund 4583) - Salmon Creek Wastewater Management System**

A list of the proposed decision packages are shown in Exhibits B and C.

**Operating Budget (Fund 4580) – Battle Ground Force Main**

The 2019/2020 operating budget for the Battle Ground Force Main is shown in Exhibit C. Key assumptions used in developing the preliminary budget numbers include:

- The salaries and benefits budget is based on county maintenance plant staff spending approximately 8 hours per week for routine checks of the force main and appurtenances, miscellaneous maintenance, pump system control work, and utility locates along the pipe.
- The chemical budget assumes dosing at 15,250 gallons per year at a chemical cost of \$1.97 per gallon plus sales tax. There is also spent carbon in the odor control units along the battleground force main that will need to be replenished on an as needed basis. This chemical addition and odor canister maintenance will continue to keep odors down and also mitigate further damage to the existing force main due to H<sub>2</sub>S release.

# Discovery Clean Water Alliance

## 2019-2020 Operating and Capital Budget

**EXHIBIT A**  
**SALMON CREEK TREATMENT FACILITY**  
**2019/20 BASELINE BUDGET - FUND 4580 - (with decision packages)**  
**SEPTEMBER 14, 2018**

Object	Obj Description	535811	535812	535813	535814	535815	535819
		Plant Laboratory	Plant Maintenance	BG Force Main	Solids Handling	Plant Operations	Administration
100	Salaries	144,768	789,118	28,642	0	759,501	299,465
140	Overtime	5,000	20,000	1,000	0	22,000	1,000
141	Comp Time Non Exempt	5,000	20,000	1,000	0	17,000	500
	<b>Total Salaries</b>	<b>154,768</b>	<b>829,118</b>	<b>30,642</b>	<b>0</b>	<b>798,501</b>	<b>300,965</b>
210	Employee Benefits	11,448	62,351	2,263	0	120,015	24,022
211 (206) PERS/LEOFF		18,384	100,353	3,522	0	96,456	38,640
220	EAP Premium	72	485	13	0	432	122
221	Medical Insurance	45,576	229,190	8,911	0	237,864	75,542
222	Industrial Insurance	5,112	33,770	1,022	0	30,672	6,024
223	Dental	3,168	15,728	632	0	15,864	5,650
230	Life Insurance	168	1,097	33	0	1,008	212
232	General liability (risk)	1,632	10,938	0	0	9,792	5,802
236	Disability Ins.	1,056	5,905	208	0	5,514	2,204
	<b>Total Benefits</b>	<b>86,616</b>	<b>459,817</b>	<b>16,604</b>	<b>0</b>	<b>517,617</b>	<b>158,218</b>
310	Office Supplies	0	0	0	0	0	1,000
311	Central Stores/Office Max	0	0	0	0	0	5,000
317	Xerox Copy Charges	0	0	0	0	0	10,000
321	Agriculture Supplies	0	7,500	0	0	0	7,500
322	Cleaning & Sanitation	0	0	0	0	5,000	0
324	Food/Water	0	0	0	0	0	2,000
325	Evidence/Cchem/Lab Supplies	35,000	0	75,000	360,000	0	470,000
326	Expendable Equipment	0	15,000	0	10,000	3,000	2,000
327	Computer Supplies	0	0	0	0	30,000	0
328	Uniforms/Clothing	0	0	0	0	0	3,000
329	Other Operating Support	0	100,000	0	15,000	15,000	5,000
330	Building Supplies	0	20,000	0	0	0	20,000
331	Electrical Supplies	0	30,000	0	0	0	30,000
333	Plumbing Supplies	0	10,000	0	0	0	10,000
335	Paint	0	8,000	0	0	0	8,000
338	Nuts & Bolts	0	3,000	0	0	0	3,000
339	Other Bldg. Supplies	0	3,000	0	0	0	3,000
350	Equipment Supplies	0	0	500	0	0	500
351	Parts	5,000	100,000	10,000	75,000	115,000	305,000
357	Small Equipment Parts	0	5,000	0	0	0	5,000
360	Gas Diesel & Oil	0	10,974	0	0	0	10,974
362	Unleaded Gasoline	446	9,218	0	2,148	0	11,812
366	Propane	0	750	0	0	300	0
	<b>Total Supplies</b>	<b>40,446</b>	<b>322,442</b>	<b>85,500</b>	<b>462,148</b>	<b>171,300</b>	<b>25,000</b>
416	Fund Overhead Allocations	560	8,018	0	746	408	0
418	GenFund Indirect Charged to County Funds	0	0	0	0	0	362,968
419	Other Prof. Services	15,000	50,000	10,000	930,000	60,000	200,000
420	Communication Services	0	0	0	0	4,000	4,000

**Discovery Clean Water Alliance**  
2019-2020 Operating and Capital Budget

**EXHIBIT A**  
**SALMON CREEK TREATMENT FACILITY**  
**2019/20 BASELINE BUDGET • FUND 5580 • (with decision packages)**  
**SEPTEMBER 14, 2018**

Object	Obj Description	535811		535812		535813		535814		535815		535819	
		Plant Laboratory	Plant Maintenance	BG Force Main	Solids Handling	Plant Operations	Administration	Total					
421	Telephone	0	0	0	0	0	0	0	16,400	16,400	16,400	16,400	16,400
422	Postage	0	0	0	0	0	0	0	2,500	2,500	2,500	2,500	2,500
428	Cellular One/Pagers	0	0	0	0	0	0	0	5,000	5,000	5,000	5,000	5,000
431	Airfare	0	0	0	0	0	0	0	3,000	3,000	3,000	3,000	3,000
433	Local Mileage	0	0	0	0	0	0	0	3,000	3,000	3,000	3,000	3,000
434	Long Distance Travel	0	0	0	0	0	0	0	3,000	3,000	3,000	3,000	3,000
435	Meals	0	0	0	0	0	0	0	1,500	1,500	1,500	1,500	1,500
438	Lodging	0	0	0	0	0	0	0	4,000	4,000	4,000	4,000	4,000
452	Data Processing/Rental Agreement	0	0	0	0	0	0	0	26,390	26,390	26,390	26,390	26,390
455	Machinery & Equip Rentals	3,714	52,000	0	6,190	1,775	0	0	63,679	63,679	63,679	63,679	63,679
456	Rental Cars/Other Vehicle Rental	0	20,000	0	0	0	0	0	20,000	20,000	20,000	20,000	20,000
458	Hourly equipment rental	3,866	52,838	0	7,732	2,006	0	0	66,442	66,442	66,442	66,442	66,442
460	Insurance Charges	0	0	0	0	0	0	0	0	0	0	0	0
471	Electrical & Heating	0	0	0	0	0	0	0	1,115,000	1,115,000	1,115,000	1,115,000	1,115,000
472	Garbage	0	0	0	0	0	0	0	75,000	75,000	75,000	75,000	75,000
473	Gas	0	0	0	0	0	0	0	77,000	77,000	77,000	77,000	77,000
476	Water & Sewer	0	0	0	0	0	0	0	12,500	12,500	12,500	12,500	12,500
481	Building Maintenance	0	15,000	0	0	0	0	0	0	0	0	0	0
482	Equipment Maintenance	0	12,000	0	0	0	0	0	0	0	0	0	0
483	Grounds & Parks Maintenance	0	0	0	0	0	0	0	2,500	2,500	2,500	2,500	2,500
486	Custodial/Cleaning	0	32,500	0	0	0	0	0	0	0	0	0	0
491	Assoc. Dues/Membership	0	0	0	0	0	0	0	5,000	5,000	5,000	5,000	5,000
493	Filing/Recording/Permit Fees	5,000	8,500	0	40,000	210,000	0	0	273,500	273,500	273,500	273,500	273,500
495	Taxes & Assessments	0	0	0	0	0	0	0	8,000	8,000	8,000	8,000	8,000
496	Tuition/Registration	0	0	0	0	0	0	0	15,000	15,000	15,000	15,000	15,000
499	Misc.	0	200,000	0	0	0	0	0	0	0	0	0	0
	<b>Total Services</b>	<b>28,140</b>	<b>450,856</b>	<b>10,000</b>	<b>984,668</b>	<b>1,556,189</b>	<b>669,758</b>	<b>3,699,611</b>					
510	Inter Gov Service*	0	0	0	0	0	0	0	0	0	0	0	0
	<b>Total Intergovernmental</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>					
600	Capital	0	0	0	0	0	0	0	20,000	20,000	20,000	20,000	20,000
	<b>Total Capital</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>					
	<b>Grand Total</b>	<b>309,970</b>	<b>2,062,233</b>	<b>142,746</b>	<b>1,446,816</b>	<b>3,063,607</b>	<b>1,153,941</b>	<b>8,179,313</b>					

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

**EXHIBIT B**  
**FUND 4583 - REPAIR AND REPLACEMENT**  
**2019/2020 BUDGET PROPOSAL**

**SEPTEMBER 14, 2018**

**REPAIR AND REPLACEMENT BUDGET:**

ITEM	PROJECT	2019 PROPOSED AMOUNT	2020 PROPOSED AMOUNT	19/20 PROPOSED AMOUNT	ASSUMPTIONS
1.	Aeration Basin 1 - 4 air Diffuser Replacement	\$60,000	\$0	\$60,000	Recommended by CH2M Hill
2	Misc. Small Repair and Replacement Projects	\$100,000	\$100,000	\$200,000	Misc. small repair and replacement projects
	TOTAL	\$160,000	\$100,000	\$260,000	



## **EXHIBIT C**

### **2019/2020 DECISION PACKAGE REQUESTS**

**September 14, 2018**

#### **FUND 4580 (Operating Budget)**

##### **PLANT LABORATORY (535811) – No decision packages**

##### **MAINTENANCE (535812) – 1 decision package**

- |  |               |
|--|---------------|
| 1. Add Grounds Maintenance Worker to Maintenance (ongoing) | 2019 \$62,979 |
|  | 2020 \$64,577 |

The treatment plant is struggling to manage the daily grounds maintenance activities at the facility. The facility has utilized offender corrections crews to help with the required workload, at a cost of \$30,000 year. When these crews are not available, the other plant staff members pitch in to help keep the grounds maintained, at the expense of lost productivity in other operational areas of the facility.

##### **OPERATIONS (535815) – 1 decision package**

- |  |               |
|--|---------------|
| 1. Add Salaries Budget for Anticipated Leave Payouts (one time) for Operations | 2019 \$60,000 |
|--|---------------|

This is to add budget due to anticipated retirements/payouts at the treatment plant. These are not budgeted in the current baseline budget of the treatment plant fund. By adding additional capacity, this ensures the capacity to pay for the retirements/payouts accordingly. Both positions are in the Operations section.

#### **FUND 4583 (Repair and Replacement Budget) – 2 decision packages**

- |   |               |
|---|---------------|
| 1. Aeration Basin (1-4) Diffuser Replacement (one time) | 2019 \$60,000 |
|---|---------------|

The requested funds would cover a much needed air diffuser replacement in aeration basins 1-4 at the treatment plant. Current diffusers are impeded by mineral and biological fouling, which cannot be removed. This condition creates a short circuiting of the air as it passes

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

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through the stone and creates larger, more coarse air bubbles that are not conducive to biologic respiration. In addition, the condition of the diffuser stones has created an increase of back pressure on the blowers from this fouling, which creates additional head pressure, energy usage, high heat and subsequent wear on the blower components, which lead to plant failures.

### **2. Miscellaneous Small Repair and Replacement Projects (one time)**

<b>2019 \$100,000</b>
<b>2020 \$100,000</b>

These funds would cover unexpected emergency equipment repairs or replacements to treatment plant equipment. There are inherently unknowns due to the age of the equipment. Having budgetary approval for unanticipated purchases provides a quick turn-around when necessary to maintain efficiencies and permit compliance at the plant.

## **APPENDIX E**

**Ridgefield Treatment Plant Operator Budget**

**Regional Biofilter Operator Budget**

**Operator: Clark Regional Wastewater District**

# Discovery Clean Water Alliance

## 2019-2020 Operating and Capital Budget



To: John Peterson, P.E., General Manager, Clark Regional Wastewater District  
Ken Andrews, CPA, Finance Director, Clark Regional Wastewater District

From: Brian Wolf, CPA, Clark Regional Wastewater District

Subject: Draft 2019-2020 Budget – Ridgefield Treatment Plant and Regional Biofilter Operations - District

Attached is the District's preliminary 2019-2020 proposal for the operation of the Ridgefield Treatment Plant and Regional Biofilter.

This cover memo provides a summary of several key assumptions and that are reflected in the budget proposal. Two exhibits are also attached:

Exhibit A – Ridgefield Treatment Plant and Regional Biofilter Operating Budget

Exhibit B – Repair and Replacement Budget

The District operates on an annual budget. District Management provides valuable input throughout the budget process to determine expected operating costs and identification of asset replacement and restoration (R&R) projects. Reoccurring operating expenses such as personnel costs, liability insurance, and professional services are adjusted each year for labor market and inflationary fluctuations.

All additional requests that are significant over and above the prior year's operating budget are done through budget decision packages (BDPs). BDPs are reviewed by the Management Team and approved by the Board.

The District is proposing a total 2019-2020 budget of \$1,456,000 for the Ridgefield Treat Plant and Regional Biofilter. This amount includes \$1,382,000 and \$22,000 for the operations of the treatment plant and Regional Biofilter, respectfully, and \$52,000 for R&R projects.

The repair and replacement budget for the treatment plant is based on four equipment repair and replacement projects.

A few key budgetary assumptions are summarized below:

### Operating Budget – Ridgefield Treatment Plant and Regional Biofilter

Exhibit A provides a breakdown by type of expenditure. Assumptions to this budget include:

- Chemical usage will remain consistent with prior year
- Increase in planned maintenance

### Repair and Replacement Budget

Exhibit B provides a list of proposed R&R projects. It assumes the worst case scenario in which the Return Activated Sludge Pump and Grit Pump will require replacement rather than repair.

### Significant Changes Include:

- Increase in personnel costs of 32%
- Decrease in administrative support of 49%

**Discovery Clean Water Alliance**  
**2019-2020 Operating and Capital Budget**

**Exhibit A**  
**Ridgefield Treatment Plant and Regional Biofilter Operating Budget**  
**2019-2020 Budget Proposal**

	2017-2018 Budget*	2019-2020 Budget	Change (\$)	Change (%)
<b>Operating Expenses</b>				
Personnel				
Salaries and Benefits	530,000	701,000	171,000	32%
Training - Registration	3,000	2,000	(1,000)	-33%
Training - Travel Expenses	2,000	1,000	(1,000)	-50%
<b>Total Personnel</b>	<b>535,000</b>	<b>704,000</b>	<b>\$169,000</b>	<b>32%</b>
Supplies				
Office Supplies	1,000	1,000	-	0%
Operational Supplies	18,000	18,000	-	0%
Computer Equipment and Software	-	4,000	4,000	-
Small Tools and Equipment	3,000	4,000	1,000	33%
Fuel	8,000	8,000	-	0%
Chemicals	40,000	51,000	11,000	28%
Uniforms	2,000	4,000	2,000	100%
<b>Total Supplies</b>	<b>72,000</b>	<b>90,000</b>	<b>18,000</b>	<b>25%</b>
Utilities				
Communications	5,000	6,000	1,000	20%
Electricity	52,000	45,000	(7,000)	-13%
Natural Gas	1,000	1,000	-	0%
Sewer	2,000	4,000	2,000	100%
Storm Water	2,000	2,000	-	0%
Water	5,000	2,000	(3,000)	-60%
<b>Total Utilities</b>	<b>67,000</b>	<b>60,000</b>	<b>(7,000)</b>	<b>-10%</b>
<b>Operations and Maintenance</b>				
Vehicles and Equipment Maintenance	3,000	4,000	1,000	33%
Facilities Maintenance	-	1,000	1,000	-
Other Operations Maintenance	49,000	41,000	(8,000)	-16%
Computer Maintenance and Services	4,000	8,000	4,000	100%
<b>Total Operations and Maintenance</b>	<b>56,000</b>	<b>54,000</b>	<b>(2,000)</b>	<b>-4%</b>
<b>Professional Services</b>				
Professional Services	25,000	25,000	-	0%
Sludge Hauling	95,000	95,000	-	0%
<b>Total Professional Services</b>	<b>120,000</b>	<b>120,000</b>	<b>-</b>	<b>0%</b>
<b>Intergovernmental Services</b>				
Lab Analysis - Clark County	73,000	75,000	2,000	3%
Permits - State and Local Agencies	17,000	18,000	1,000	6%
Sludge Treatment - Clark County	130,000	128,000	(2,000)	-2%
Administrative Support	255,000	131,000	(124,000)	-49%
<b>Total Intergovernmental Services</b>	<b>475,000</b>	<b>352,000</b>	<b>(123,000)</b>	<b>-26%</b>
<b>Total Operating Budget - Treatment Plant</b>	<b>1,325,000</b>	<b>1,380,000</b>	<b>55,000</b>	<b>4%</b>
<b>Regional Biofilter</b>	<b>22,000</b>	<b>22,000</b>	<b>-</b>	<b>0%</b>
<b>Total Operating Budget - Treatment Plant and Regional Biofilter</b>	<b>\$1,347,000</b>	<b>\$1,402,000</b>	<b>\$55,000</b>	<b>4%</b>

\*For the 2017-2018 biennium the City of Ridgefield operated the Ridgefield Treatment Plant from 1/1/17 - 6/30/18 and Clark Regional Wastewater District operated the plant from 7/1/18 - 12/31/18.

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

**Exhibit B**  
**Repair and Replacement**  
**2019-2020 Budget Proposal**

<b>ITEM#</b>	<b>PROJECT</b>	<b>AMOUNT</b>
1	Sludge Transfer Pump Rebuild	\$11,000
2	Return Activated Sludge (RAS) Pump Replacement	6,000
3	Influent Sampler	11,000
4	PLC Replacement	50,000
5	SCADA Improvements	25,000
<b>Total Repair and Replacement</b>		<b>\$103,000</b>

## APPENDIX F

### Outstanding Debt by Type At End of Biennium Period

<b>Period</b>	<b>Revenue Bonds</b>	<b>PWTF Loans</b>	<b>SRF Loans</b>	<b>Total</b>
2019-2020	\$ 30,806,000	\$ 11,785,236	\$ 976,855	\$ 43,568,091
2021-2022	47,797,573	8,134,252	446,827	56,378,652
2023-2024	41,907,947	4,483,268	219,464	46,610,679

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

### **APPENDIX G**

#### **Debt Repayment Schedule**

<b>Period</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019-2020	\$ 7,395,727	\$ 1,525,356	\$ 8,921,083
2021-2022	9,791,001	3,836,632	13,627,633
2023-2024	9,809,725	3,396,605	13,206,330
<b>Total</b>	<b>\$ 26,996,453</b>	<b>\$ 8,758,593</b>	<b>\$ 35,755,046</b>

## APPENDIX H

### Limitation of Indebtedness

Limitation of indebtedness applies to general obligation debt only. Discovery Clean Water Alliance (Alliance) has never issued general obligation debt. However, the Alliance still diligently monitors debt through the below noted Bond Coverage Ratio and Operating Expense and Debt Principle Coverage Analysis. If the Alliance ever issued general obligation debt, RCW 57.20.110 and 120 specifies a general obligation limitation of indebtedness of 0.5% of the value of the taxable property within its boundaries, in addition to the constitutional debt limitations. The Alliance's assessed value is \$17,656,775,110, which calculates to a legal debt limit of \$88,283,876. The Alliance's total debt outstanding as of 12/31/2018 is \$24,032,172.

	BOND COVERAGE RATIO		
	Actual	Proforma	Budget
	2015-2016	2017-2018	2019-2020
<b>Gross Revenues</b>			
Regional Service Charges	\$ 19,294,914	\$ 22,988,859	\$ 28,460,000
Interest on Investments	63,260	161,402	-
Total Gross Revenues	19,358,174	23,150,261	28,460,000
<b>Operating Expenses</b>			
Administrative Lead Services	969,499	1,337,885	1,754,000
Professional Services	46,020	105,314	199,000
Regional Asset Operations	7,689,755	8,670,165	9,944,000
Insurance	328,834	331,363	340,000
Miscellaneous Expenses	11,700	17,114	18,000
Total Operating Expenses	9,045,808	10,461,841	12,255,000
<b>1.10 Coverage Test</b>			
Net Revenue	10,312,366	12,688,420	16,205,000
Debt Service	770,000	1,990,000	3,233,695
<b>Coverage</b>	<b>13.39</b>	<b>6.38</b>	<b>5.01</b>

OPERATING EXPENSE AND DEBT PRINCIPAL COVERAGE ANALYSIS			
	Actual	Proforma	Budget
	2015-2016	2017-2018	2019-2020
<b>Gross Revenues</b>			
Regional Service Charges	\$ 19,294,914	\$ 22,988,859	\$ 28,460,000
Interest on Investments	63,260	161,402	-
Total Gross Revenues	19,358,174	23,150,261	28,460,000
<b>Operating Expenses</b>			
Administrative Lead Services	969,499	1,337,885	1,754,000
Professional Services	46,020	105,314	199,000
Regional Asset Operations	7,689,755	8,670,165	9,944,000
Insurance	328,834	331,363	340,000
Miscellaneous Expenses	11,700	17,114	18,000
Total Operating Expenses	9,045,808	10,461,841	12,255,000
<b>Net Revenues Available for Debt Service</b>	10,312,366	12,688,420	16,205,000
<b>Debt Service - Alliance (Principal Only)</b>			
Bonds	770,000	1,990,000	3,233,695
PWTF Loans	2,738,235	3,650,980	3,650,980
SRF Loans	342,712	470,409	509,333
<b>Total Debt Service</b>	3,850,947	6,111,389	7,394,008
<b>Net Revenue After Payment of Debt Service</b>	\$ 6,461,419	\$ 6,577,031	\$ 8,810,992
<b>Operating Expenses Covered (Not Covered) by Rates</b>	<b>\$ 10,312,366</b>	<b>\$ 12,688,420</b>	<b>\$ 16,205,000</b>

# **Discovery Clean Water Alliance**

## **2019-2020 Operating and Capital Budget**

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