

DISCOVERY CLEAN WATER ALLIANCE

RESOLUTION NO. 2022 - 07

A RESOLUTION OF DISCOVERY CLEAN WATER ALLIANCE, ADOPTING THE 2023-2024 OPERATING AND CAPITAL BUDGET AND REGIONAL SERVICE CHARGES FOR THE DISCOVERY CLEAN WATER ALLIANCE.

WHEREAS, the Board of Directors has determined after various meetings and a public hearing that it is in the best interest of the Alliance to approve the 2023-2024 Operating and Capital Budget and Regional Service Charges as proposed; now, therefore

BE IT RESOLVED by the Board of Directors of the Discovery Clean Water Alliance that the 2023-2024 Operating and Capital Budget and Regional Service Charges attached to this Resolution is hereby approved and adopted.

ADOPTED by the Board of Directors of Discovery Clean Water Alliance at a regular meeting held on December 16, 2022.

DISCOVERY CLEAN WATER ALLIANCE

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Chair, Board of Directors



Discovery Clean Water Alliance



DRAFT

2023-2024

Operating and Capital Budget

DISCOVERY CLEAN WATER ALLIANCE

Clark County, Washington

DRAFT 2023-2024 Operating and Capital Budget



For Biennium Period
January 1, 2023 through December 31, 2024

Adopted by Resolution No. 2022-07
Dated: December 16, 2022

Prepared by:
Clark Regional Wastewater District,
Administrative Lead



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Section 1

INTRODUCTION

Discovery Clean Water Alliance

2023-2024 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.

2022 ALLIANCE BOARD OF DIRECTORS



Shane Bowman
Alliance Board Chair
Battle Ground Councilmember



Ron Onslow
Alliance Vice-Chair
Ridgefield Councilor



Norm Harker
Alliance Secretary
District Commissioner



Julie Olson
Alliance Director
Clark County Councilor

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. The District, serving as Operator by contract, will operate the Salmon Creek Wastewater Management System (SCWMS), the Ridgefield Treatment Plant (RTP), the Regional Biofilter - Kline Interceptor and the Battle Ground Force Main (BGFM) 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 Garvey, PC.

Mailing Addresses:

Clark Regional Wastewater District,
Administrative Lead:

PO Box 8979
Vancouver, WA 98668-8979

Foster Garvey, PC
Legal Counsel:

1111 Third Avenue, Suite 3000
Seattle, WA 98101

Discovery Clean Water Alliance

2023-2024 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, 2023, through December 31, 2024. 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 in 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 in 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 2023-2024 biennium period, the Alliance forecasts that sources, including Regional Service Charges, bond issuance proceeds, interest, and anticipated account balance drawdowns, will equal uses.

The budget document is formatted to provide an overview to help readers better understand the Alliance's 2023-2024 adopted budget as a financial framework. Comparisons in this budget are "budget-to-budget" from the adopted amended 2021-2022 budget to this 2023-2024 adopted budget unless otherwise noted.

Budget Summary

The 2023-2024 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). 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 2023-2024 totals \$79.9 million from all sources and for all uses of funds. Sources include \$28.7 million in Regional Service Charges (RSCs) from the District and \$7.7 million in RSCs from Battle Ground, the two Alliance wholesale customers, as well as \$43.5 million from reserves drawdown.

RSCs in the 2023-2024 budget are increasing 16.9% from RSCs in the amended 2021-2022 budget, primarily due to the debt service on three new debt instruments issued in the 2021-2022 biennium to fund two significant capital projects entering the construction phase in the 2023-2024 biennium as part of the Salmon Creek Treatment Plant (SCTP) Phase 5 Expansion: (1) Phase 5A Package 2 Project – Columbia River Effluent Pipeline will construct a new effluent pipeline from the treatment plant to the Columbia River, and (2) Phase 5B Package 2 Project – Plant Improvements will improve processes to incrementally increase plant capacity. The most recent debt issuance also provides funding for a cluster of smaller R&R projects. Additionally, operations of the Salmon

Discovery Clean Water Alliance

2023-2024 Operating and Capital Budget

Creek Treatment Plant have transitioned from Clark County to Clark Regional Wastewater District effective July 1, 2022.

Uses in the 2023-2024 biennium include \$4.4 million for administrative services, \$13.7 million for Regional Asset operations and maintenance, \$16.9 million for debt service, and \$44.9 million for planned capital program expenditures.

Outlook

The Alliance anticipates that 2023 and 2024 will be increasingly rewarding years as the Alliance continues to actively manage its Regional Assets. The budget 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.

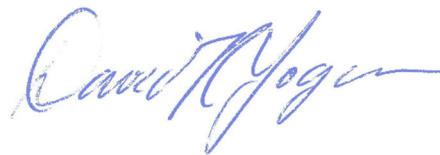
As Member service areas continue to realize growth and note positive impacts related to the continued economic development, the Alliance will continue to monitor economic activity for trends to assess potential future impacts on operations. Each Member has a voice and a vote in the strategic decisions 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 2023-2024 Operating and Capital Budget is one tool to aid in the delivery of this vital service to the public.

Sincerely,



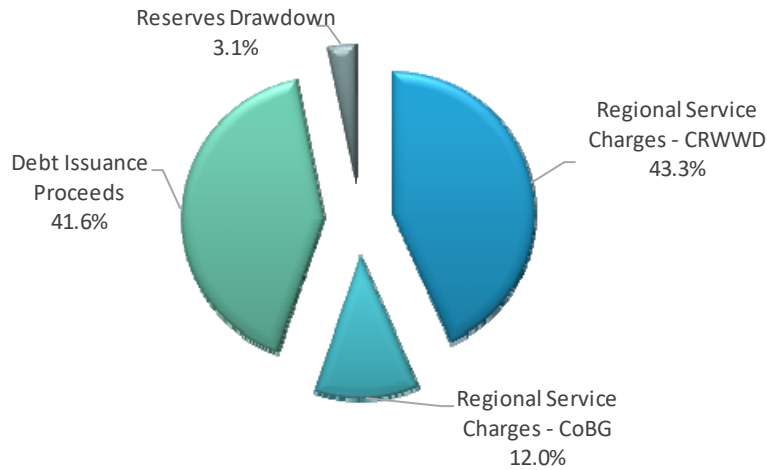
John M. Peterson, P.E.
Alliance Executive Director



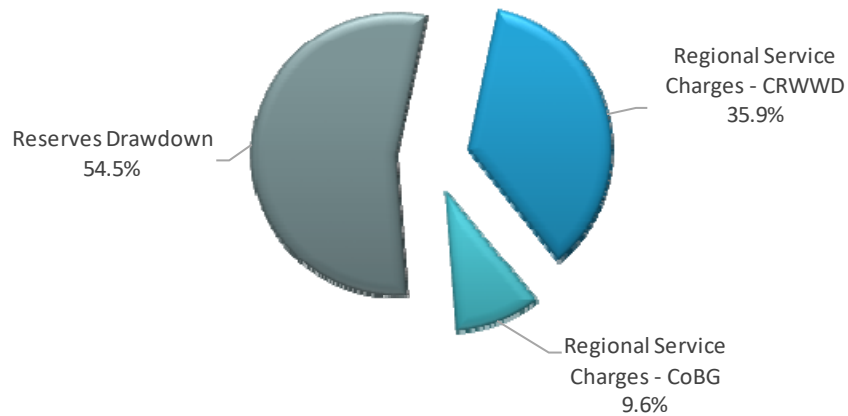
David Logan
Alliance Treasurer

1.3 Budget in Brief

2021-2022 Sources



2023-2024 Sources

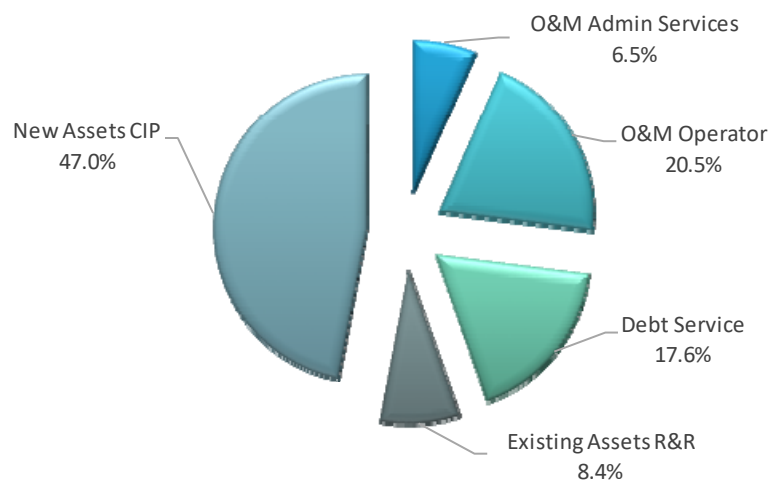


| Sources (\$000s) | Amended 2021-2022 | 2023-2024 | \$ Change | % Change |
|----------------------------------|----------------------|------------------|------------------|--------------|
| | Budget | Budget | | |
| Regional Service Charges - CRWWD | \$ 24,390 | \$ 28,728 | \$ 4,338 | 17.8% |
| Regional Service Charges - CoBG | 6,729 | 7,656 | 927 | 13.8% |
| Debt Issuance Proceeds | 23,463 | - | (23,463) | -100.0% |
| Reserves Drawdown | 1,721 | 43,498 | 41,777 | 2427.5% |
| Total Sources | \$ 56,303 | \$ 79,882 | \$ 23,579 | 41.9% |

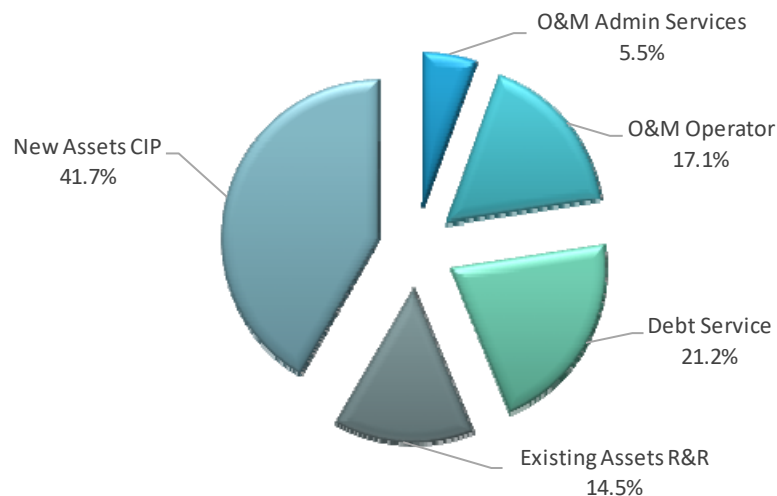
Discovery Clean Water Alliance

2023-2024 Operating and Capital Budget

2021-2022 Uses



2023-2024 Uses



| Uses (\$000s) | Amended | 2023-2024 | \$ Change | % Change |
|---------------------|------------------|------------------|------------------|--------------|
| | 2021-2022 | 2023-2024 | | |
| | Budget | Budget | | |
| O&M Admin Services | \$ 3,670 | \$ 4,391 | \$ 721 | 19.6% |
| O&M Operator | 11,527 | 13,669 | 2,142 | 18.6% |
| Debt Service | 9,923 | 16,949 | 7,026 | 70.8% |
| Existing Assets R&R | 4,743 | 11,546 | 6,803 | 143.4% |
| New Assets CIP | 26,440 | 33,327 | 6,887 | 26.0% |
| Total Uses | \$ 56,303 | \$ 79,882 | \$ 23,579 | 41.9% |

1.4 Alliance History

Discovery Clean Water Alliance was 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 several 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 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 the operational level of service while also maintaining competitive rates and charges to the end users of the system.

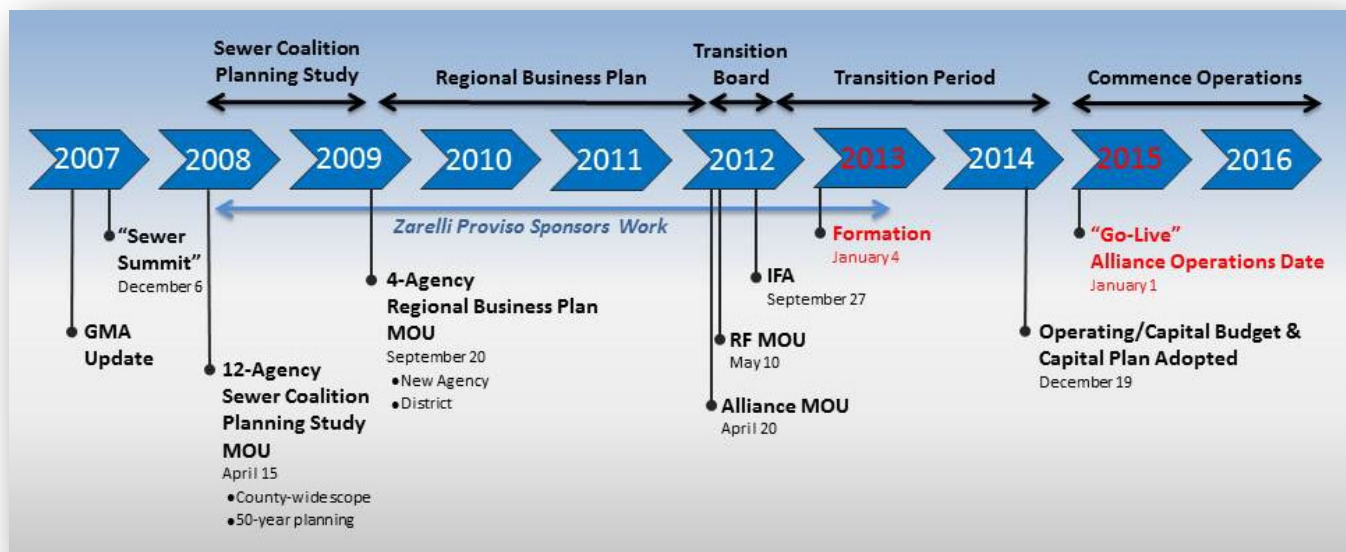
Having managed the region's growth under other service delivery models prior to the formation of the Alliance, the Members determined that regional decisions are best made when all stakeholders participate directly in decisions having a material impact to service levels or costs. To that end, the Alliance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



Discovery Clean Water Alliance

2023-2024 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 the 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 service 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 the 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 the 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 Secretary of State on January 4, 2013, to legally form the Alliance.



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. 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 the 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, the 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).

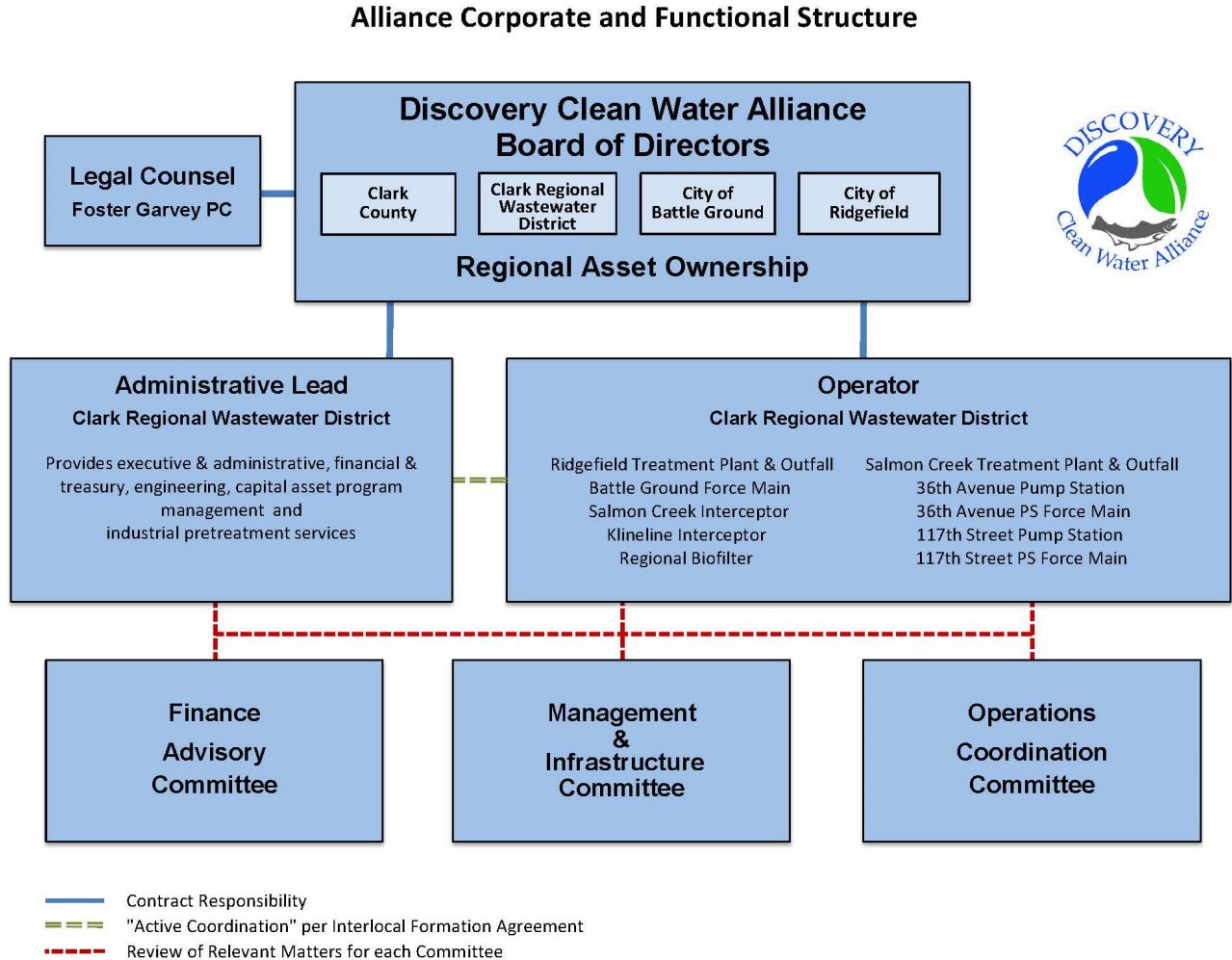
The following decisions are classified as "Significant Decisions" in the IFA and require a Dual Majority Vote: the borrowing of money or issuance of bonds, a change in Administrative Lead or Operators, a change in the ownership of Regional Assets, the adoption of an Operating and a Capital Budget, the exercise of eminent 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 Regional Wastewater District (District) is 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 the 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



Discovery Clean Water Alliance

2023-2024 Operating and Capital Budget

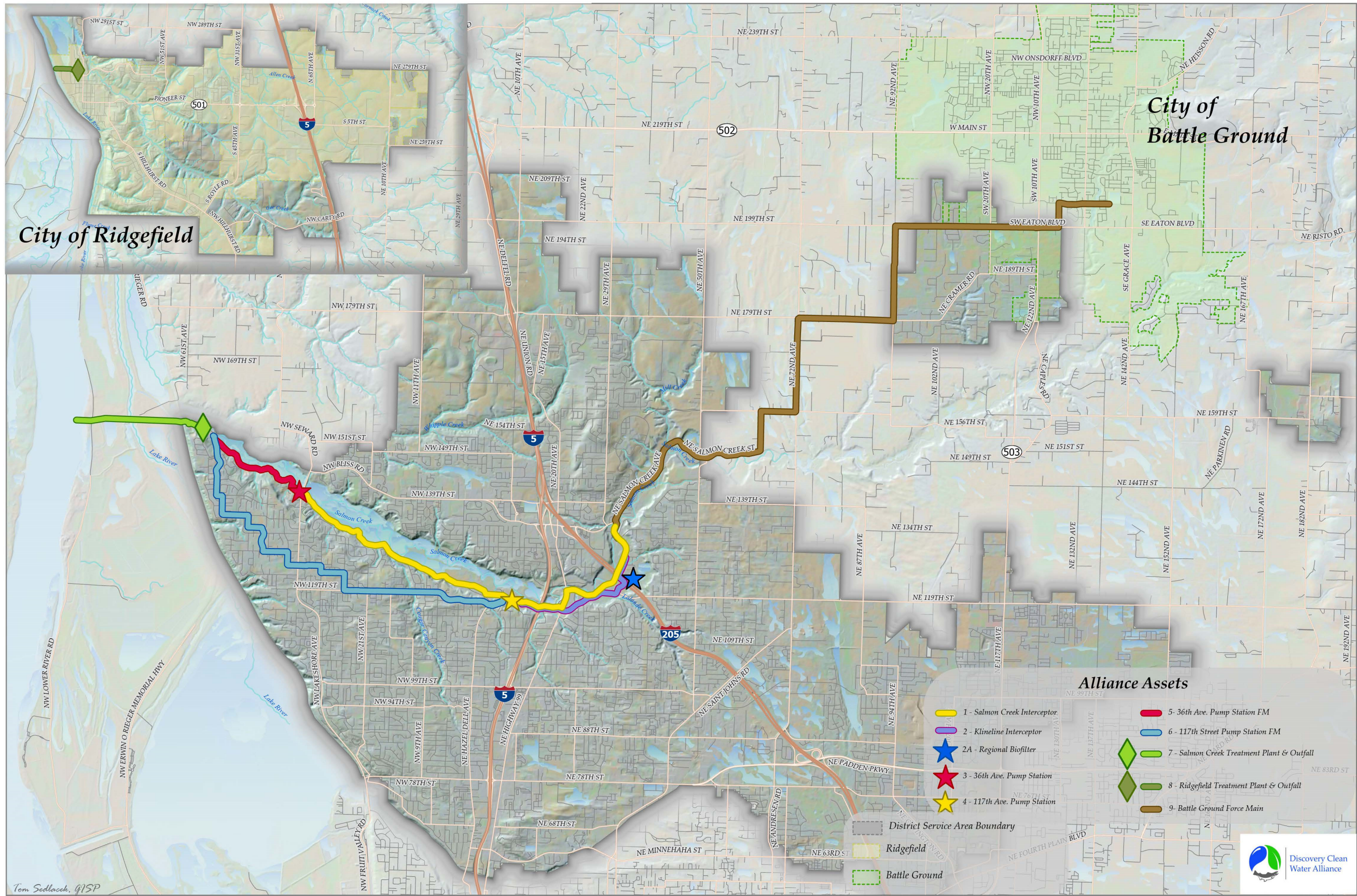
1.6 Alliance Regional Assets

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 - Kline Interceptor Project depicted in the 2016 Capital Plan Update was completed in 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. Kline 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 - Kline 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 Kline 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 Kline PS) | Raw sewage PS located at 1110 NE 117 St in Vancouver, WA. The station pumps wastewater from Salmon Creek and Kline 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 bioxide chemical dosing/injection facility) routed southwesterly from Battle Ground PS to Kline Interceptor at Salmon Creek Ave. The pipeline was constructed in the early 1990's. |

Alliance Regional Asset Overview Map



Discovery Clean Water Alliance
Capital Program



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Section 2

PLANNING

Discovery Clean Water Alliance

2023-2024 Operating and Capital Budget

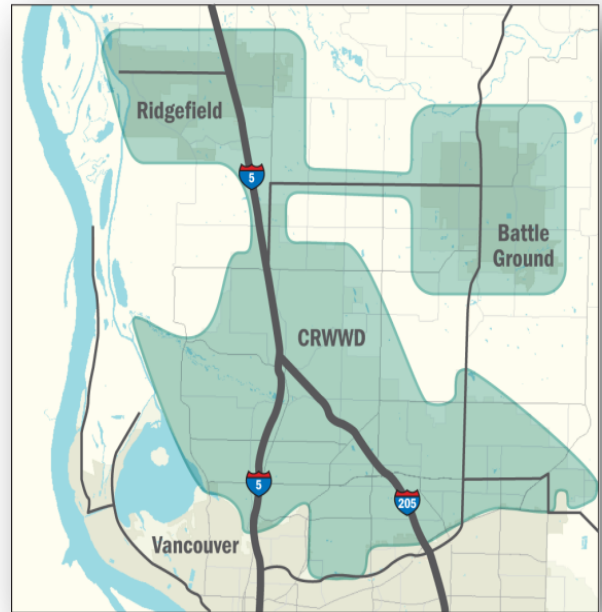
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2.1 Core Values and Guiding Principles

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 130,000 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 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% |

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

1. Existing Regional Assets will be maintained in good operating condition through an intentional asset management program.
 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.
 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.
 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.
 5. Decisions related to the Capital Plan will be fully vetted with the Standing Committees, the Board of Directors and affected stakeholders.
-

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

2.2 2023-2024 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:** Institute and maintain financial and debt policies that adequately provide the framework to mitigate near and long-term risks through their alignment with the overall mission and vision of the Alliance.
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 has been successful in providing services to its Members through the 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 2023-2024 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 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 the 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 2022 Capital Plan update informs the 2023-2024 budget process. The next Capital Plan update will be performed in 2024.

As the 2022 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 a professional services contract with the District. Services to operate all Regional Assets are provided via a professional services contract with the District. The next operating and capital budgets will be prepared in 2024 for the 2025-2026 biennium period.

Discovery Clean Water Alliance

2023-2024 Operating and Capital Budget

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. Two and a half full-time employee (FTE) equivalents were added to Contract Services under the Administrative Lead Contract in the 2023-2024 biennium: 1.5 to support a mature Regulatory Compliance program and a fully-delegated Pretreatment Program and 1.0 to provide in-house construction management services (with corresponding cost savings in the capital program).

Operating Impacts. \$0.7 million in Professional Services

Capital Impacts. None

Existing Assets Restoration and Replacement (R&R) Projects

Discussion. An asset management system review and condition assessment completed in 2022 identified 12 distinct R&R projects and 2 R&R programs to be undertaken on existing Regional Assets over the 20-year planning window of 2023-2042, with work on 11 of those projects programmed for the 2023-2024 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 \$11.5 million for the 11 R&R projects programmed in the 2023-2024 budget period is earmarked to come from reserves that were generated by the 2022 bond issuance. Funding for the remaining project and programs over the 20-year planning window through 2042 is earmarked to come from RSCs collected from the District and City of Battle Ground.

Operating Impacts. None.

Capital Impacts. \$11.5 million in reserve drawdowns.

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

Discussion. Two major and separate efforts comprise the remainder of the SCTP Phase 5 Expansion Program. The SCTP Phase 5A Package 2 Project – Columbia River Effluent Pipeline will construct a new effluent pipeline from the treatment plant to Lower River Road. Planning began in 2015-2016, with permitting, real property right-of-way (ROW) acquisition, and design occurred in the 2021-2022 biennium period. Construction will be completed by the end of 2024.

The SCTP Phase 5B Package 2 Project – Plant Improvements seeks to upgrade and improve plant processes to incrementally increase capacity as required by growth in the region. Planning began in 2015-2016, with permitting, real property right-of-way (ROW) acquisition, and design occurred in the 2021-2022 biennium period. Construction will be completed by the end of 2024. Further details on both projects can be reviewed in Section 5.

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 2023-2024 budget period for several CIP projects in early states will be funded by RSCs collected from the District and Battle Ground. Two debt issuances initiated in 2021 and 2022 and a Public Works Board loan award in 2022 will fund the construction of the Phase 5A Package 2 and Phase 5B Package 2 projects.

Operating Impacts. None.

Capital Impacts. \$2.0 million in RSCs collected from Members
\$31.3 million funded from CIP Reserves generated by 2021-2022 debt issuances

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Section 3

BUDGET PROCESS

Discovery Clean Water Alliance

2023-2024 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 2023 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.

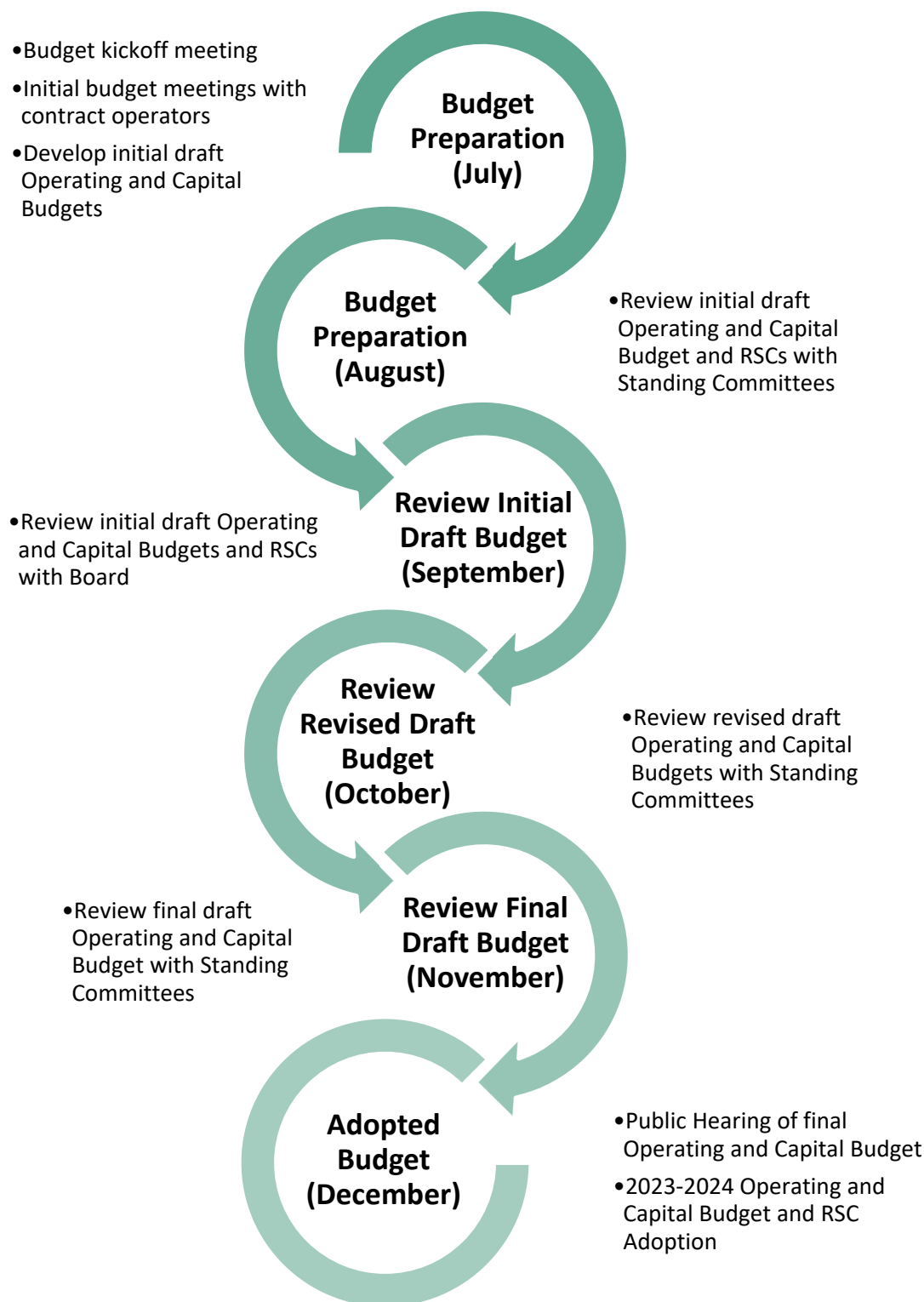
When formally adopted, the expense estimates of flexible budgets typically are not viewed as appropriations but as approved plans. Budgetary controls and evaluation are affected by comparing actual interim and annual revenues and expenses with planned revenues and expenses at the actual level of activity 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 2023-2024 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.

As the service areas and customer base of the Alliance wholesale customers (the District and City of 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 2023-2024 budget period, the Alliance had outstanding debt totaling \$79.5 million in Public Works Trust Fund loans, State Revolving Fund loans and sewer revenue bonds issued by the Alliance in 2021 and 2022.

3.2 Budget Calendar



Section 4

ADOPTED BUDGET BY ACCOUNT

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Section 4.1

Budget Summary

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 2023-2024 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 \$79.9 million for the two-year budget period.

Discovery Clean Water Alliance

2023-2024 Operating and Capital Budget

4.1 Budget Summary

Budget Summary (\$000s)

| Accounts | Operating Budget | | Capital Budget | | | Budget 2023-2024 |
|---|----------------------------|----------------------|-----------------|------------------------|-----------------------|---------------------|
| | Operating & Maintenance | RSC Stabilization | Debt Service | Existing Assets R&R | New Assets Capital | |
| Beginning Account Balances | | | | | | |
| Alliance Funds | \$ 1,541 | \$ 712 | \$ 3,615 | \$ 14,729 | \$ 37,325 | \$ 57,922 |
| Contracts Receivable | 1,022 | - | - | - | - | 1,022 |
| Total Beginning Account Balances | 2,563 | 712 | 3,615 | 14,729 | 37,325 | 58,944 |
| Sources | | | | | | |
| Regional Service Charges - District | 14,551 | 227 | 12,253 | (102) | 1,799 | 28,728 |
| Regional Service Charges - CofBG | 3,093 | 56 | 4,310 | (31) | 228 | 7,656 |
| Total Sources | 17,644 | 283 | 16,563 | (133) | 2,027 | 36,384 |
| Uses | | | | | | |
| O&M Administrative Services | (4,391) | - | - | - | - | (4,391) |
| O&M District Operations | (13,669) | - | - | - | - | (13,669) |
| Debt Service | - | - | (16,949) | - | - | (16,949) |
| Existing Assets R&R | - | - | - | (11,546) | - | (11,546) |
| New Assets Capital | - | - | - | - | (33,327) | (33,327) |
| Total Uses | (18,060) | - | (16,949) | (11,546) | (33,327) | (79,882) |
| Ending Account Balances | | | | | | |
| Alliance Funds | 532 | 995 | 3,229 | 3,050 | 6,025 | 13,831 |
| Contracts Receivable | 1,615 | - | - | - | - | 1,615 |
| Total Ending Account Balances | \$ 2,147 | \$ 995 | \$ 3,229 | \$ 3,050 | \$ 6,025 | \$ 15,446 |

4.1.1 Reserves

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

Operating Reserves

Operating reserve 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. 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 \$1.2 million, is fully funded.
- Rate Stabilization: The Rate Stabilization reserve account will have a beginning balance of \$0.7 million at January 1, 2023, 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 2021 and 2022, 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 \$3.2 million at January 1, 2023, 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 \$3.1 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) or until fully funded, whichever is sooner. The current reserve account balance exceeds the targeted threshold and is now fully funded.

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, often requiring financing.

Five large CIP projects programmed over the 20-year planning horizon will 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.

- The new assets capital reserves (CIP) account has a balance of \$37.3 million at January 1, 2023, a majority of which consists of unspent bond proceeds from the 2022 issuance. 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 twelve of the planning period or until fully funded, whichever is sooner. The current reserve account balance exceeds the targeted threshold and is now fully funded.

Please refer to Section 4.4 Account Balance Summary for additional details on 2023-2024 reserve balances. Please refer to Section 5 – Capital Program for specific details on existing asset R&R projects or new asset CIP projects.

Discovery Clean Water Alliance

2023-2024 Operating and Capital Budget

4.1.2 Regional Service Charges

For the 2023-2024 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 2023-2024 is intended to fund administrative costs and full operations of Regional Assets, providing wholesale transmission and treatment services to the Members, encompassing over 130,000 wastewater utility customers in central Clark County. The split in RSCs by Members to fund the 2023-2024 operating budget expenses is detailed in the table below.

Regional Service Charges (\$000s)

| Regional Service Charges | 2019-2020 Actual | Amended 2021-2022 Budget* | 2023-2024 Budget | \$ Change | % Change |
|---|---------------------|---------------------------------|---------------------|-----------------|--------------|
| District | | | | | |
| O&M | | | | | |
| Administrative Services | \$ 1,521 | \$ 2,163 | \$ 2,953 | \$ 790 | |
| District Operator | 7,752 | 9,258 | 11,598 | 2,340 | |
| Rate Stabilization | 124 | 200 | 227 | 27 | |
| Capital | | | | | |
| Debt Service | 6,658 | 7,025 | 12,253 | 5,228 | |
| Existing Assets R&R | 2,053 | 3,227 | (102) | (3,329) | |
| New Assets Capital | 4,093 | 2,517 | 1,799 | (718) | |
| Total District RSCs | 22,200 | 24,390 | 28,728 | 4,338 | 17.8% |
| Battle Ground | | | | | |
| O&M | | | | | |
| Administrative Services | 434 | 618 | 843 | 225 | |
| District Operator | 1,642 | 2,000 | 2,250 | 250 | |
| Rate Stabilization | 30 | 52 | 56 | 4 | |
| Capital | | | | | |
| Debt Service | 2,263 | 2,526 | 4,310 | 1,784 | |
| Existing Assets R&R | 700 | 966 | (31) | (997) | |
| New Assets Capital | 1,191 | 567 | 228 | (339) | |
| Total Battle Ground RSCs | 6,260 | 6,729 | 7,656 | 927 | 13.8% |
| Total Per Biennial Budget Period | \$ 28,460 | \$ 31,119 | \$ 36,384 | \$ 5,265 | 16.9% |

Section 4.2

Operating Budget

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 2023-2024 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

2023-2024 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 2023-2024 biennial budget period is provided in Section 4.2.1.
- *Section 4.2.2 – Operator - Clark Regional Wastewater District.* A summary of contract operating expenses paid to the District for the 2023-2024 biennial budget period is provided in Section 4.2.2.

Operating Account Structure and Related Financial Policies

The Alliance will administer its operating budget responsibilities through two separate accounts. The individual accounts are summarized in 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) |
|--|---|--|
| Operations and Maintenance Account | 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. |
| Regional Service Charge Stabilization Account | 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 expenditures 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 the 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. 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

| Cost Category | Cost Allocation Framework (from IFA, Section VI.B1) |
|---------------------------------|---|
| Administrative Costs | Proportional to share of Treatment Facilities Allocated Capacity. |
| Regional Assets Operating Costs | Proportional to share of use of a Regional 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 \$18.1 million for the 2023-2024 budget period.

Discovery Clean Water Alliance

2023-2024 Operating and Capital Budget

4.2.1 Administrative Services/Clark Regional Wastewater District

The 2021-2022 operating budget for administrative services, totaling \$4.4 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 2023-2024 operating budget will continue to fund full operation and provision of wastewater transmission and treatment services to two wholesale customers serving over 130,000 people in central Clark County.

Administrative Services (\$000s)

| Administrative Services | 2019-2020 Actual | Amended 2021-2022 Budget | 2023-2024 Budget | \$ Change | % Change |
|---|---------------------|--------------------------------|---------------------|---------------|--------------|
| Expenditures | | | | | |
| Administrative Lead Contract - District | | | | | |
| Contract Services | \$ 991 | \$ 1,810 | \$ 2,513 | \$ 703 | |
| Professional Services | 644 | 1,055 | 892 | (163) | |
| Other Expenses | 6 | 25 | 25 | - | |
| Total Administrative Lead Contract | 1,641 | 2,890 | 3,430 | 540 | 18.7% |
| Insurance Contract | 358 | 550 | 633 | 83 | |
| Legal Services Contract | 73 | 80 | 90 | 10 | |
| Professional Services - Environmental Monitoring | 66 | 30 | 60 | 30 | |
| Professional Services - Advocacy | - | 48 | 108 | 60 | |
| ACFR/Audit | 27 | 35 | 37 | 2 | |
| Other Expenses | 28 | 38 | 33 | (5) | |
| Total Administrative Services Expenditures | \$ 2,193 | \$ 3,671 | \$ 4,391 | \$ 720 | 19.6% |

Administrative Lead Services – Clark Regional Wastewater District: \$3,430,000

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, construction management, Ridgefield Treatment Plant [RTP] and other assets 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 2023-2024 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 overall engineering services. Miscellaneous expenses also include Pretreatment supplies and tests. Significant changes to the Administrative Lead budget from the prior biennium include:

- **Engineering Contract Services:** As several large CIP capital projects enter construction phases in the 2023-2024 biennium, Engineering Contract Services by District staff are budgeted to increase by \$734,000, or 53.9%. The 2023-2024 budget includes two full-time construction managers employed by the District, which produces cost savings in the Capital Program by not having to utilize more costly construction management consultants.
- **Professional Services:** The 2023-2024 operating budget does not include a condition assessment performed in 2022 to determine the condition and maintenance requirements for all Regional Assets. This was a one-time effort that will not occur in 2023-2024.

Insurance Services – WSRMP: \$633,000

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 increased by \$83,000 or 15.1% over the previous biennium. Re-insurance rates for property within the WSRMP continue to increase, leading to an increase in insurance allocation for Pool members in the 2023-2024 biennium.

Legal Services – Foster Garvey, PC: \$90,000

Legal services for general counsel to the Alliance are contracted with Foster Garvey, PC.

Professional Services – Regulatory and Environmental Monitoring: \$60,000

The Alliance contracts 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.

ACFR/Audit Services – SAO: \$37,000

Annual Comprehensive Financial Report (ACFR) audit services will be performed by the Office of the Washington State Auditor (SAO) with audit work scheduled to be done in both 2023 and 2024.

Other Expenses – Various Entities: \$33,000

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

Discovery Clean Water Alliance

2023-2024 Operating and Capital Budget

Performance Measures

| Performance Objectives and Measures | Target | Actual 2019 | Actual 2020 | Actual 2021 | Estimated 2022 | Planned 2023-2024 |
|---|--------|----------------|----------------|----------------|-------------------|----------------------|
| 1) Responsible stewardship of public funds and fiscal accountability to the public | | | | | | |
| The Alliance Annual Comprehensive Financial Report (ACFR) receives an Unqualified Opinion from the Washington State Auditor's Office | Yes | Yes | Yes | Yes | Yes | Yes |
| Government Finance Officer Association (GFOA) Certificate of Achievement of Excellence in Financial Reporting awarded to the Alliance | Yes | Yes | Yes | Yes | Yes | Yes |
| 2) Transparent communication with stakeholders regarding objectives, goals, and planned spending | | | | | | |
| The Government Finance Officer Association (GFOA) Distinguished Budget awarded to the Alliance | Yes | Yes | Yes | Yes | Yes | Yes |
| 3) Establish the future direction of the Alliance; its purpose and vision in support of its stakeholders' needs | | | | | | |
| Percentage of Alliance-sponsored capital budget delivered | 90% | 91% | 91% | 90% | 90% | 90% |
| 4) Open and timely communication with Stakeholders | | | | | | |
| Percentage of public records requests responded to within five (5) business days | 100% | 100% | 100% | 100% | 100% | 100% |
| Percentage of Alliance Board meeting minutes available online to the public within 72 hours of Board adoption | 100% | 100% | 100% | 100% | 100% | 100% |

4.2.2 Operator – District

The Alliance has contracted with 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 City of Ridgefield previously owned the Ridgefield Treatment Plant (RTP) until ownership was transferred to the Alliance, effective January 1, 2015. Both entities operated the respective treatment plants until the City of Ridgefield transferred operations of the RTP to the District effective July 1, 2018, and Clark County transferred operations of the SCTP to the District effective July 1, 2022. The District will continue to operate all ten Regional Assets through the operator contract term, currently set through the end of 2024.

The District's two-year budget to operate all Regional Assets via contract totals \$13.7 million. This operator contract, summarized below, is part of the overall operating budget for the Alliance for the 2023-2024 budget period. The detailed Clark County operator budget for the SCWMS is located in Appendix D.

District Operator Contract Summary (\$000s)

| Contract Operations - District | 2019-2020 Actual | Amended 2021-2022 Budget | 2023-2024 Budget | \$ Change | % Change |
|--|---------------------|--------------------------------|---------------------|-----------------|--------------|
| Expenditures | | | | | |
| SCWMS Operations and Maintenance | | | | | |
| Personnel Costs | \$ 3,353 | \$ 3,429 | \$ 4,983 | \$ 1,554 | |
| Supplies | 656 | 1,400 | 1,519 | 119 | |
| Utilities | 450 | 460 | 1,665 | 1,205 | |
| Maintenance | 100 | 95 | 320 | 225 | |
| Professional Services | 3,170 | 3,493 | 1,850 | (1,643) | |
| Other Expenses | 450 | 739 | 1,174 | 435 | |
| Subtotal SCTP Expenses | 8,179 | 9,616 | 11,511 | 1,895 | 19.7% |
| R&R Allowance (projects < \$73k) | 253 | 203 | 450 | 247 | |
| Total SCTP Operations and Maintenance | 8,432 | 9,819 | 11,961 | 2,364 | 21.8% |
| RTP Operations and Maintenance | | | | | |
| Personnel | \$ 574 | \$ 717 | \$ 677 | \$ (40) | |
| Supplies | 63 | 85 | 110 | 25 | |
| Utilities | 91 | 95 | 97 | 2 | |
| Maintenance | 54 | 61 | 90 | 29 | |
| Professional Services | 83 | 105 | 112 | 7 | |
| Intergovernmental Services | 309 | 338 | 404 | 66 | |
| Subtotal RTP Expenses | 1,174 | 1,401 | 1,490 | 89 | 6.4% |
| R&R Allowance - RTP (projects < \$73k) | 88 | 183 | 100 | (83) | |
| Total RTP Operations and Maintenance | 1,262 | 1,584 | 1,590 | 110 | 0.4% |
| RB Operations and Maintenance | 22 | 15 | 39 | 24 | 160.0% |
| BGFM Operations and Maintenance | | | | | |
| Salaries and Benefits | \$ 36 | \$ 50 | \$ 20 | \$ (30) | |
| Dosing Chemicals | 50 | 20 | 30 | 10 | |
| Supplies | 5 | - | 5 | 5 | |
| Professional Services | 10 | 20 | 10 | (10) | |
| Administrative Support | 4 | 8 | 3 | (5) | |
| Total BGFM Operations and Maintenance | 105 | 98 | 68 | (30) | -30.6% |
| SCI & KI Operations and Maintenance | 8 | 11 | 11 | - | 0.0% |
| Total Contract Operations Expenditures | \$ 9,829 | \$ 11,527 | \$ 13,669 | \$ 2,142 | 18.6% |

Discovery Clean Water Alliance

2023-2024 Operating and Capital Budget

Operations and Maintenance: \$13,119,000

Operating and maintenance expenses include salaries and benefits, materials and supplies, services and utilities, internal services, insurance and chemical/lab supplies for all ten Regional Assets.

R&R Allowance for Projects Less Than \$73,000: \$550,000

Projects under the \$73,000 threshold (as determined in the Capital Plan) are identified in the District Operator budget for the 2023-2024 biennium. This is comprised of a general maintenance allowance for miscellaneous small Repair and Replacement projects. The 2023-2024 budget is based on historical costs and anticipated projects resulting from a condition assessment performed in 2022.

Performance Measures

| Performance Objectives and Measures | Target | Actual 2019 | Actual 2020 | Actual 2021 | Estimated 2022 | Planned 2023-2024 |
|--|--------------|----------------|----------------|----------------|-------------------|----------------------|
| 1) Responsible stewardship of public resources by protecting infrastructure to ensure system reliability | | | | | | |
| Permit Compliance | Yes | Yes | Yes | Yes | Yes | Yes |
| Effluent BOD | <30 mg/l | 7.8 | 7.9 | 8.4 | 8 | 10 |
| Effluent TSS | <30 mg/l | 6.4 | 6.8 | 7.9 | 8 | 10 |
| Total Ammonia | <18.7 mg/l | 2.2 | 4 | 4.8 | 6 | 8 |
| Effluent Fecal Coliform | <100cl/100ml | 16.1 | 21.5 | 40.3 | 25 | 50 |
| Percentage removal of BOD | 85% | 97% | 97% | 97% | 98% | 96% |
| Percentage removal of TSS | 85% | 97% | 97% | 97% | 98% | 96% |

The SCTP and RTP continually stay under effluent levels prescribed by the National Pollutant Discharge Elimination System (NPDES) permit issued by the Washington Department of Ecology, providing reliable regional wastewater infrastructure to a quickly-growing area.

Section 4.3

Capital Budget

The Alliance is presenting a Capital Budget, a component of the 2023-2024 Operating and Capital Budget, to provide the financial framework necessary to support the delivery of the Capital Plan. The 2023-2024 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 2019-2020, 2021-2022, and 2023-2024 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 2019-2020, 2021-2022, and 2023-2024 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 2019-2020, 2021-2022, and 2023-2024 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, 2023-2042. Twelve projects (including two programs) are identified to repair or replace existing assets, and twelve 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 expenditures planned for the 2023-2024 budget cycle total \$44.9 million. Two debt issuances (issued in 2021 and 2022) and one Public Works Board loan awarded in 2021 will fund construction of the SCTP Phase 5A Package 2 Project – Columbia River Effluent Pipeline and the SCTP Phase 5B Package 2 – Improvements project. The remaining funds to service debt and the R&R and CIP projects programmed in 2023-2024 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.

Alliance Capital Account Structure and Financial Policies

| Account Name | Purpose | Key Financial Policies (from IFA, Exhibit A) |
|--|--|---|
| Debt Service Account | 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. |
| Existing Asset Repair and Replacement (R&R) Account | 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. |
| New Asset Capital Improvements Program (CIP) Account | 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. 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 |

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2023-2024 Operating and Capital Budget

4.3.1 Debt Service Account

As of January 1, 2023, the Alliance has \$79.5 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, 2023 (\$000s)

| Regional Asset Number/Name | | Existing Debt Instrument | Existing Debt (principal at January 1, 2023) | Alliance Member Responsible for Debt |
|----------------------------|--|---|---|---|
| 1-7. | Salmon Creek Wastewater Management System | Public Works Trust Fund Loans State Revolving Fund Loan Public Works Trust Fund Loans Public Works Trust Fund Loan Public Works Trust Fund Loan 2021 Sewer Revenue Bonds 2022 Sewer Revenue Bonds | \$ 3,810 279 2,498 7,459 10,000 11,205 44,250 | District District Battle Ground District/Battle Ground District/Battle Ground District/Battle Ground District/Battle Ground |
| 8. | Ridgefield Treatment Plant | No Debt on Regional Asset | - | N/A |
| 9. | Battle Ground Force Main | No Debt on Regional Asset | - | N/A |
| 2a. | Regional Biofilter - Upper Kline Interceptor | No Debt on Regional Asset | - | NA |
| TOTAL DEBT | | | \$ 79,501 | |

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.

Since its inception, the Alliance has issued two series of bonds in 2021 and 2022 and has been awarded two separate Public Works Board Loans, all to help fund the four SCTP Phase 5 projects.

The following Debt Service Account table presents principal and interest to service all Alliance-held debt for the 2023-2024 budget period, as well as the debt service for the prior 2019-2020 and 2021-2022 biennial budget periods. The 2023-2024 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 \$16.9 million.

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Debt Service Account (\$000s)

| Debt Service Account | 2019-2020 Actual | Amended 2021-2022 Budget | 2023-2024 Budget | \$ Change | % Change |
|--|---------------------|--------------------------------|---------------------|-----------------|--------------|
| Debt Transferred From District | | | | | |
| PWB Loans | \$ 2,193 | \$ 2,180 | \$ 2,106 | \$ (74) | |
| SRF Loans | 583 | 471 | 132 | (339) | |
| Total - Debt Transferred From District | 2,776 | 2,651 | 2,238 | (413) | -15.6% |
| Debt Transferred From CoBG | | | | | |
| PWB Loans | 1,571 | 1,561 | 1,546 | (15) | |
| Total - Debt Transferred From CoBG | 1,571 | 1,561 | 1,546 | (15) | -1.0% |
| Debt Issued by Alliance | | | | | |
| 2015 Bonds | 2,883 | 2,887 | - | (2,887) | |
| 2021 Bonds | | 958 | 3,909 | 2,951 | |
| 2022 Bonds | | 808 | 7,099 | 6,291 | |
| PWB Loans | | 1,058 | 2,157 | 1,099 | |
| Total - Debt Issued by Alliance | 2,883 | 5,711 | 13,165 | 7,454 | 130.5% |
| Total Debt Service | \$ 7,230 | \$ 9,923 | \$ 16,949 | \$ 7,026 | 70.8% |

Debt Repayment

A table of Outstanding Debt Loans by Type is located in Appendix E, depicting the balances per type of loan, as well as overall debt at the end of 2023-2024 and subsequent biennial budget periods. The Debt Loans Repayment Schedule, found at Appendix F, shows the total principal and interest payments as of the end of each biennial budget period. The primary increases in debt service payments include:

- Debt service payments 2021 and 2022 bonds and the most recently awarded PWB loan began in 2022. The 2023-2024 biennium will be the first full budget period, with debt service payments on these loans occurring for the entire period.

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 G. 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 November 2022 is 32.2 billion, which calculates to a legal debt limit of \$160.8 million. The Alliance's total debt outstanding as of December 31, 2022, is \$79.5 million, well 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 12/31/2020 | Alliance as of 12/31/2022 | Alliance as of 12/31/2024 | Alliance as of 12/31/2026 |
|-------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Debt % | 60% | 20% | 27% | 41% | 27% |
| Equity % | 40% | 80% | 73% | 59% | 73% |
| Total | 100% | 100.0% | 100.0% | 100.0% | 100.0% |

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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. However, in the 2023-2024 biennium, all R&R projects will be funded by reserves generated by the 2022 bond issuance. The following table has been developed to present a balanced and integrated management strategy for repair and replacement project delivery in the 2023-2024 biennium period.

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

| Existing Assets R&R Account | 2019-2020 Actual | Amended 2021-2022 Budget | 2023-2024 Budget | \$ Change | % Change |
|---|---------------------|--------------------------------|---------------------|-----------------|---------------|
| Project Expenditures | | | | | |
| 36th Avenue PS Pump Replacement | \$ 1 | \$ - | \$ - | | |
| SCTP Sludge Blend Tank Overflow Recovery | 12 | - | - | | |
| Klineline Interceptor Manhole Repair | 123 | - | - | | |
| SCTP Digester Maintenance and Modifications | 344 | - | - | | |
| SCTP Boiler Exhaust Stack Replacement | 205 | - | - | | |
| SCTP Biosolids Cake Transfer Screw Replacement | 446 | - | - | | |
| SCTP HVAC Systems Replacement | 881 | 528 | - | | |
| SCTP Fire Alarm System Replacement | 52 | 1,409 | - | | |
| SCTP Boiler Gas Boosters | 211 | - | - | | |
| RTP Aeration Basin Mixer Support/Concrete Repair | 27 | - | - | | |
| SCTP Control System Network Separation | - | 1,552 | - | | |
| SCTP Fire Pump Controller Replacement | - | 236 | - | | |
| 36th Ave Pump Station Controls Replacement | - | 37 | 216 | | |
| RTP PLC Replacement | - | 32 | 227 | | |
| SCTP Sludge Blend Tank Slope Stabilization | - | 42 | 144 | | |
| SCTP Diesel Fuel Tank (Building #3) Replacement | - | 32 | 196 | | |
| SCTP Instrumentation Replacements | - | 16 | - | | |
| SCTP SCADA System Platform Update | - | 48 | - | | |
| SCTP SCADA System Replacement | - | 300 | 309 | | |
| SCTP Primary Sludge Pump Replacement | - | 250 | 2,431 | | |
| Building Systems R&R Program | - | - | 1,261 | | |
| SCTP Primary Clarifier Mechanism Replacement | - | - | 1,147 | | |
| SCTP Access Road and Asphalt Repair | - | - | 85 | | |
| SCTP Dewatering Equipment Replacement | - | - | 5,014 | | |
| SCTP UV System Replacement (Phase 6) | - | - | 202 | | |
| Annual R&R Allowance | 119 | 261 | 314 | | |
| Total Existing Assets R&R Expenditures | \$ 2,421 | \$ 4,743 | \$ 11,546 | \$ 6,803 | 143.4% |

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 2023-2024 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 2023-2024 budget period total \$11.5 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.

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 5A Package 2 and SCTP Phase 5B Package 2 projects are scheduled for construction during the 2023-2024 biennium. These projects will be funded with reserves generated by the 2022 bond issuance. 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 generally costing greater than \$10 million each.

New Assets Capital Account (\$000s)

| New Assets Capital Account | 2019-2020 Actual | Amended 2021-2022 Budget | 2023-2024 Budget | \$ Change | % Change |
|--|---------------------|--------------------------------|---------------------|-----------------|--------------|
| Project Expenditures | | | | | |
| SCTP Phase 5A Project - Columbia River Outfall and Effluent Pipeline | \$ 1,400 | \$ 18,394 | \$ 15,900 | | |
| SCTP Phase 5B Project - Plant Improvements | 5,385 | 7,434 | 15,400 | | |
| Land Purchase | 201 | - | | | |
| RTP Odor Control | 56 | 360 | | | |
| RTP Secondary Process Improvements | | 102 | 620 | | |
| SCTP CEPT Pilot Project | | 150 | 362 | | |
| General Sewer Plan | | | 1,045 | | |
| Total New Assets Capital Expenditures | \$ 7,042 | \$ 26,440 | \$ 33,327 | \$ 6,887 | 26.0% |

- SCTP Phase 5A Project – Columbia River Outfall and Effluent Pipeline include planning document development, supporting engineering and surveying work, environmental permitting, legal support, right-of-way acquisition, and supporting elements of financial planning/stakeholder engagement, with construction beginning in 2021 and completed in 2024.
- SCTP Phase 5B Project – Plant Improvements includes all studies and preliminary engineering related to odor control and plant capacity assessment at SCTP, with construction having begun in 2020 and completing in 2024.

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 2023-2024 portion of this table is presented for adoption as a component of the two-year capital budget. New assets capital expenditures planned for the 2023-2024 budget period total \$33.3 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.

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Section 4.4

Account Balance Summary

The Alliance is presenting an Account Balance Summary to provide the historical, estimated, and planned projections for account balances necessary to support the delivery of wastewater transmission and treatment services. The 2023-2024 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.

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4.4 Account Balance Summary

Account Balance Summary (\$000s)

| | HISTORICAL | ESTIMATED | PLANNED | | |
|-----------------------------------|---------------------|------------------------|------------------------|------------------------|------------------------|
| Account | Actual 2019-2020 | Projected 2021-2022 | Projected 2023-2024 | Projected 2025-2026 | Projected 2027-2028 |
| Operations & Maintenance (O&M) | \$ 1,210 | \$ 1,541 | \$ 532 | \$ 532 | \$ 532 |
| Rate Stabilization | 450 | 712 | 995 | 1,278 | 1,278 |
| Debt Service | 3,152 | 3,615 | 3,229 | 3,229 | 3,229 |
| Repair and Replacement (R&R) | 3,930 | 14,729 | 3,050 | 3,100 | 3,100 |
| Capital Improvement Program (CIP) | 2,613 | 37,325 | 6,025 | 6,791 | 11,313 |
| TOTAL ALLIANCE FUNDS | 11,356 | 57,922 | 13,831 | 14,930 | 19,452 |
| Contracts Receivable | 1,022 | 1,778 | 1,615 | 1,615 | 1,615 |
| TOTAL FUNDS | \$ 12,378 | \$ 59,700 | \$ 15,446 | \$ 16,544 | \$ 21,066 |

Section 5

CAPITAL PROGRAM

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5.1 2023-2042 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 2022 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 2022 Capital Plan considers R&R project needs greater in value than the established 2022 Alliance capital project threshold of \$73,000. 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. 2018, 2020, and 2022 Capital Plans incorporate a more thorough and systematic review of major systems within the Regional Assets. Although not an exhaustive evaluation of every piece of equipment, this plan represents progress toward the ultimate goal of establishing a fully sustaining asset management program for all Regional Assets.

2020 Condition and Criticality Assessment (2020 CCA). In order to inform the Capital Plan and related budget processes, the Alliance sponsored formal reassessments for the regional pump stations and treatment plant assets. The intent of the reassessments was to update the condition and criticality scores from the previous assessments. 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 2020 CCA work also focused on areas that had not been fully assessed in the past or were updates to previous assessments. These areas included:

- Battle Ground Force Main location
- Ridgefield Treatment Plant and Salmon Creek Treatment Plant buried pipelines
- Ridgefield Treatment Plant and Salmon Creek Treatment Plant outfall inspections
- Salmon Creek Treatment Plant transformers and power supply systems
- Salmon Creek Treatment Plant instrumentation and control systems
- Salmon Creek Treatment Plant headworks channel inspections
- Salmon Creek Treatment Plant control system network separation

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- Salmon Creek Treatment Plant waste gas incinerator
- Lower Salmon Creek Interceptor CCTV inspection

The next Capital Plan update (to be completed in 2024) will be further expanded to include condition and criticality evaluation of additional components such as the following:

- Generator systems at treatment plants and pump stations
- Buildings and building systems at treatment plants and pump stations
- Control panel wiring, fusing, and interconnections at treatment plants
- Gates and actuators at treatment plants and pump stations
- Regional transmission systems (redundancy and spare parts assessment)
- Upper Salmon Creek Interceptor CCTV inspection
- Kline Interceptor CCTV inspection
- Other components as determined through the next condition and criticality assessment

Project Prioritization Process. After combining individual components into logical projects, each project was evaluated. Each project was then 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 that particular asset or system. The condition, criticality and resulting priorities were reviewed with the Alliance Standing Committees during the first half of 2022. All projects with a score of 25 or higher were carried forward into this Capital Plan update. This represents the most important projects due to either poor condition, high criticality, or both. The remaining projects 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 are based on cost savings over time rather than condition and criticality priority. These types of projects are generally related to new technology or energy 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 but generally within 2- or 6-year planning period.
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 workload, and specific project design and permitting schedules. The Standing Committees reviewed and endorsed the program prior to presentation to the Alliance Board of Directors.

A total of 12 R&R projects and two R&R programs were identified and prioritized through the 2020 CCA process for inclusion in the Capital Plan. One project relates to the 36th Avenue pump station, one relates to the Ridgefield Treatment Plant (RTP), and the remaining ten relate to the Salmon Creek Treatment Plant (SCTP). Nine R&R projects are programmed for the 2023-2024 biennium. The 20-year programming of R&R projects is summarized in the table located on page 58.

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. In order to account for those undefined needs and provide a complete 20-year Capital Plan, 2023 to 2042, the following project allowances are established:

- \$150,000 per year for years 1-2
- \$175,000 per year for years 3-4
- \$200,000 per year for years 5-6
- \$1,500,000 per year for years 7-20

All projects related to 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 2.2. Individual capital project profiles are detailed in the appendices of the Capital Plan.

It is important to note that the timelines associated with the project recommendations in the Member agency planning documents were generally based on underlying data from a higher growth environment prior to late 2007 to the 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 utilize the new capacity. In order to provide a more practical assessment, the 2022 Capital Plan recommends an updated timeline for future capacity investments that are reflective of more current growth measurements while still being prudently conservative in terms of providing capacity ahead of demand. The dates associated with specific projects are consistent with this updated growth and timeline analysis.

In support of future capacity assessment, an analysis of the treatment capacity of the SCTP is included in the 2022 Capital Plan. 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), which includes 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, general 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-based assessment, the Department of Ecology requires two specific parameters to track plant capacity, the measurement of the particulate solids (total suspended solids or TSS) and the measurement of biological activity (biochemical oxygen demand or BOD) in the wastewater. Taking these two factors into consideration, this assessment indicates capacity in the system needs to be increased by the year 2025

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for both TSS and BOD. Due to these current capacity assessment projections, a plan for maintaining adequate capacity for the SCTP is required to be submitted to Ecology. The Engineering Report for the Phase 5A Project was approved in 2019, and the Engineering Report for the Phase 5B Project package relating to capacity was approved in 2021.

The 2022 Capital Plan also includes a 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 on page 58.

R&R and CIP Project Profile Summaries

Profile summaries for the R&R and CIP projects scheduled through the 2023-2024 budget period are presented following the 20-Year Capital Plan Programming Summary.

20-Year Capital Plan Programming Summary

Repair and Replacement (R&R) Program (all costs are in 2022 dollars & shown in \$1,000's)

| Year | 0 | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 20-Year Period Total | Project Total |
|---|---------------------------|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------------------------|------------------|
| Project Name | Actual Through 2021 | 2022 Estimate | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 | | |
| Expenditures | | | | | | | | | | | | | | | | | | | | | | | | |
| R&R Projects | | | | | | | | | | | | | | | | | | | | | | | | |
| #1-70 SCTP SCADA System Replacement | - | 200 | 300 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 300 | 500 |
| #2-50 SCTP Primary Sludge Pump Replacement | - | 240 | 2,360 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,360 | 2,600 |
| #3-49 RTP PLC Replacement | - | 30 | 220 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 220 | 250 |
| #4-49 36th Ave Pump Station Controls Replacement | - | 20 | 210 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 210 | 230 |
| #5-49 Building Systems R&R Program | - | - | 400 | 800 | 800 | 800 | 800 | 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 | 18,600 | 18,600 |
| #6-45 SCTP Primary Clarifier Mechanism Replacements | - | - | 650 | 450 | 450 | 450 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,000 | 2,000 |
| #7-35 SCTP Sludge Blend Tank Slope Stabilization | - | 40 | 140 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 140 | 180 |
| #8-35 SCTP Diesel Fuel Tank (Building 83) Replacement | - | - | 190 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 190 | 190 |
| #9-30 SCTP Access Road and Asphalt Repair | - | - | - | 80 | 360 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 440 | 440 |
| #10-30 SCTP Waste Gas Burner Replacement | - | - | - | - | - | 335 | 1,515 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,850 | 1,850 |
| #11-27 SCTP Dewatering Equipment Replacement | 50 | 50 | 750 | 4,000 | 150 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,900 | 5,000 |
| #12-P6 SCTP Influent Screen Replacement (Phase 6) | - | - | - | - | 50 | 50 | 50 | 230 | 450 | 70 | - | - | - | - | - | - | - | - | - | - | - | - | 900 | 900 |
| #13-P6 SCTP UV System Replacement (Phase 6) | - | - | - | 190 | 190 | 190 | 950 | 1,900 | 380 | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,800 | 3,800 |
| Annual R&R Allowance | - | - | 150 | 150 | 175 | 175 | 200 | 200 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 22,050 | 22,050 |
| Total Annual R&R Projects Expenditures | 50 | 580 | 5,370 | 5,670 | 2,175 | 2,000 | 3,515 | 3,330 | 3,330 | 2,570 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 57,960 | 58,590 |

3 New Projects Identified Through 2022 CCA Process

Capital Improvement Projects (CIP) Program (all costs are in 2022 dollars & shown in \$1,000's)

| Year | 0 | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 20-Year Period Total | Project Total |
|--|---------------------------|------------------|--------|--------|-------|-------|-------|--------|--------|--------|--------|--------|-------|-------|------|------|------|------|------|-------|-------|-------|----------------------------|------------------|
| Project Name | Actual Through 2021 | 2022 Estimate | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 | | |
| Expenditures | | | | | | | | | | | | | | | | | | | | | | | | |
| CIP Projects | | | | | | | | | | | | | | | | | | | | | | | | |
| 117th Street Pump Station Capacity Upgrade | - | - | - | - | - | 685 | 685 | 685 | 6,165 | 5,480 | - | - | - | - | - | - | - | - | - | - | - | - | 13,700 | 13,700 |
| SCTP Phase 5A (Outfall/Effluent Pipeline) Expansion | 11,100 | 10,000 | 8,600 | 7,300 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 15,900 | 37,000 |
| SCTP Phase 5B (Treatment Plant) Expansion | 11,650 | 6,820 | 7,700 | 7,700 | 730 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 16,130 | 34,600 |
| SCTP Chemically Enhanced Primary Treatment Pilot Project | - | 150 | 300 | 50 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 350 | 500 |
| SCTP Phase 6 Expansion | - | - | - | - | 2,245 | 2,245 | 2,245 | 11,225 | 22,450 | 4,490 | - | - | - | - | - | - | - | - | - | - | - | - | 44,900 | 44,900 |
| SCTP Class A Biosolids Upgrade | - | - | - | - | - | - | - | 750 | 3,000 | 6,750 | 4,500 | - | - | - | - | - | - | - | - | - | - | - | 15,000 | 15,000 |
| SCTP Phase 7 Expansion | - | - | - | - | - | - | - | 2,175 | 2,175 | 2,175 | 10,875 | 21,750 | 4,350 | - | - | - | - | - | - | - | - | - | 43,500 | 43,500 |
| SCTP Phase 8 Expansion | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 6,000 | 6,000 |
| RTP Secondary Treatment Process Improvements | - | 100 | 550 | 50 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,000 | 2,000 | 2,000 | 600 | 700 |
| RTP Decommissioning | - | - | - | - | - | - | - | - | - | - | 230 | 920 | 2,070 | 1,380 | - | - | - | - | - | - | - | - | 4,600 | 4,600 |
| BGFM Parallel Force Main | - | - | - | - | - | 2,135 | 2,135 | 4,270 | 8,540 | 17,080 | 8,540 | - | - | - | - | - | - | - | - | - | - | - | 42,700 | 42,700 |
| Alliance General Sewer Plan/Wastewater Facilities Plan | - | - | 500 | 500 | 500 | 500 | - | - | - | - | - | - | - | - | - | - | 500 | 500 | 500 | 500 | - | - | 4,000 | 4,000 |
| Total Annual CIP Projects Expenditures | 22,750 | 17,070 | 17,650 | 15,600 | 3,475 | 5,565 | 5,065 | 19,105 | 42,330 | 35,975 | 24,145 | 22,670 | 6,420 | 1,380 | - | - | 500 | 500 | 500 | 2,500 | 2,000 | 2,000 | 207,380 | 247,200 |

3 New Projects Identified for 2022 Capital Plan

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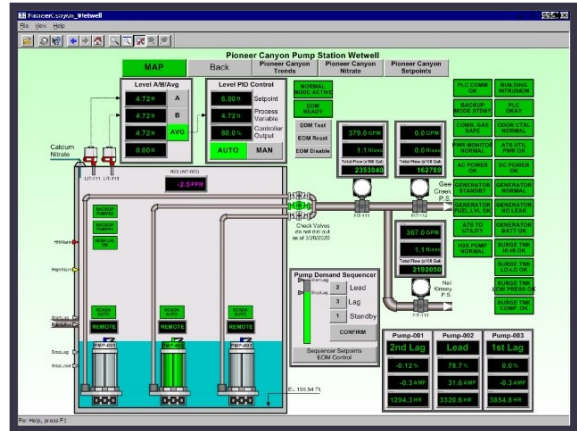
5.2 2023-2024 Existing Assets Repair and Replacement (R&R) Projects Overview

SCTP SCADA System Replacement

Cost: \$300,000

Scope: The project will replace the existing SCADA and alarming software system at the Salmon Creek Treatment Plant (SCTP) and 117th Street Pump Station with Inductive Automation's Ignition Software. HMI functions, including tags and graphics, will be reconfigured to current standards, and Ignition's integrated software alarm dialer will be applied to provide reliable system operation and management. Four new workstations will be installed at the SCTP, and two new workstations will be installed at the 117th Street Pump Station.

Basis: Condition



SCTP Primary Sludge Pump Replacement

Cost: \$2,360,000

Scope: The existing Salmon Creek Treatment Plant (SCTP) primary sludge diaphragm pumps are air powered and inefficient. The project will replace the existing eight primary sludge pumps and associated air compressors, installed in 1998 as part of the Phase 3 Expansion, with six progressing cavity pumps with variable frequency drives (VFDs). The existing 60-hp screw compressors will also be replaced with a new, smaller reciprocating compressor. In addition to the pump replacement, new flow meters and Total Suspended

Solids (TSS) probes will be installed, and the existing air dryers that serve the diaphragm pumps will be replaced with new, smaller air dryers. This project qualifies for an incentive of \$67,601 from Clark Public Utilities and Bonneville Power Administration.

Basis: Condition

RTP PLC Replacement

Cost: \$220,000

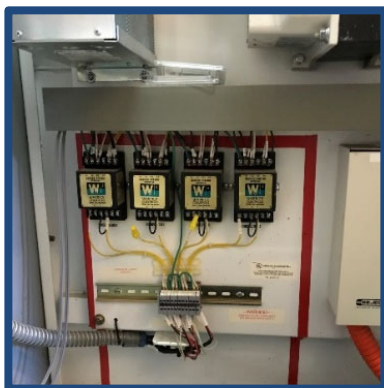
Scope: This project will replace the existing, obsolete SLC 500 PLC that controls the plant with a Control Logix system. The existing PLC system is no longer supported by the manufacturer, and replacement parts are no longer available unless obtained through surplus.

Basis: Condition



Discovery Clean Water Alliance

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36th Avenue Pump Station Controls Replacement

Cost: \$210,000

Scope: The project will rewire the existing pump station control panel, replace the existing controller, and display module with a new module, and reprogram the pump controls.

Basis: Condition

SCTP Building Systems R&R Program

Cost: \$1,200,000

Scope: A facility condition assessment was performed to evaluate the overall condition of each building on the Salmon Creek Treatment Plant (SCTP), Ridgefield Treatment Plant (RTP), 36th Avenue Pump Station, and 117th Street Pump Station campuses. Current deficiencies and life cycle forecasts were used to determine the total cost to address the needs of each facility. The condition assessments identified several projects to address current deficiencies and maintain the condition of existing buildings. Specific projects will be developed and approved by the Management and Infrastructure Committee based on the most urgent needs and overall budget allocation.

Basis: Condition

SCTP Primary Clarifier Mechanism Replacements

Cost: \$1,100,000

Scope: An assessment of primary clarifiers 2 and 3 performed by Polychem Solutions identified significant wear of existing SCTP primary clarifier mechanisms. Mechanisms for primary clarifiers 1 and 4 are in similar condition. This project will rebuild the existing mechanisms in all four existing primary clarifiers, add baffling to improve performance, and add monitoring needed to ensure proper operation.

Basis: Condition



SCTP Sludge Blend Tank Slope Stabilization

Cost: \$140,000

Scope: The area around the sludge blend tank is highly saturated for much of the year. The project will evaluate slope stability and drainage issues around the sludge blend tank. The project will remove the existing small block wall on the slope south of the sludge blend tank and replace it with a larger, more functional retaining wall. The project will include a more complete drainage system at the base of the wall with perforated pipe that connects to the onsite storm drain.

Basis: Condition



SCTP Diesel Fuel Tank (Building 83) Replacement

Cost: \$190,000

Scope: The existing diesel tank was installed as part of the Phase 3 expansion at SCTP in 1998 to serve the backup generator in Building 83. The tank's interior has deteriorated, and plant staff has reported flaking of material on the tank interior. The plant staff has installed a filtration system as mitigation. This project will replace the tank entirely. All other generator components will remain in service.

Basis: Condition

SCTP Access Road and Access Repair

Cost: \$80,000

Scope: The project will apply a single-layer chip seal treatment to asphalt that is in fair condition and a double-layer chip seal treatment to areas of asphalt in a deteriorated condition. Chip sealing is done by evenly distributing a thin base of hot asphalt onto existing pavement and then embedding finely graded aggregate into it. The approximate area to be sealed is 19,200 square yards. Paving and asphalt repair work should be programmed every five to ten years. This project will be scheduled after projects included in the SCTP Phase 5 Improvements Program are completed.

Basis: Condition



SCTP Dewatering Equipment Replacement

Cost: \$4,750,000

Scope: The project will replace two belt filter presses with screw presses of similar capacity. The current belt filter presses were procured in 1996 as part of the Interim Biosolids Dewatering Project and are approaching the end of their useful life.

Basis: Condition

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SCTP UV System Replacement

Cost: \$190,000

Scope: The project will demolish the existing UV system and replace it with a new, more energy-efficient system. The system was originally installed in 1998 with the Phase 3 SCTP Expansion and completely rebuilt in 2008 with the Phase 4 SCTP Expansion. System bulb life associated with current technology is now more than twice the existing, and repair parts are no longer being manufactured. Coupled with energy savings, the total potential annual savings is on the order of \$100,000 to \$150,000. The new system would be designed to replace the existing system capacity. The current schedule is based on coupling replacement with the addition of a parallel UV channel, programmed as part of the Phase 6 SCTP Expansion program for efficiency and system compatibility.

Basis: Condition



5.3 2023-2024 New Assets Capital (CIP) Projects Overview

Salmon Creek Treatment Plant Phase 5 Expansion:

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

Cost: \$15,900,000

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. This portion of the project was substantially completed in 2022.



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.

Basis: Capacity

SCTP Phase 5B Project – Salmon Creek Treatment Plant Improvements

Cost: \$15,400,000

Scope: This project will provide an increase to Alliance Members' Allocated Capacity in the Salmon Creek Treatment Plant (SCTP) and address applicable regulatory and level of service requirements for the facility.

The Phase 5B (Treatment Plant) Expansion project will be delivered in two separate construction contracts, referred to as 5B "Package 1" (5BP1) and 5B "Package 2" (5BP2). These contracts are summarized below.



The 5BP1 contract will construct new odor control systems for the Preliminary/Primary Treatment processes and the Solids Handling processes. In addition, this contract will make improvements to existing facilities throughout the site to enhance process reliability, plant staff safety and site security. The contract includes a new oil and lubricant storage building and demolition of an aging building as needed for new treatment processes associated with the long-term master plan for the site. This portion of the project was substantially complete in 2021.

The 5BP2 contract constructs new secondary treatment facilities to provide increased overall plant capacity. The project also completes planned work for site security to comply with industry-standard guidance, including Guidelines for the Physical Security of Wastewater/Stormwater Utilities, ASCE/ AWWA/ WEF, published December 2011 (WEF Security Guidance). Solids processing improvements with biosolids conditioning and digester gas treatment systems will optimize performance and ensure permit compliance for this portion of the facility.

Basis: Capacity

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SCTP Chemically Enhanced Primary Treatment Pilot Program

Cost: \$350,000

Scope: The project will develop a plan for the pilot test, provide a desktop evaluation of the anticipated process performance, perform jar testing of various chemicals used in the industry, design and construct the required temporary improvements to support the pilot test, perform the pilot test, and prepare a final report to Ecology documenting performance and the capacity that can be achieved with the process.

Basis: Capacity



RTP Secondary Treatment Process Improvements

Cost: \$600,000

Scope: This project will make improvements to the secondary treatment process by installing baffles in the aeration basin, updating the mixed liquor recycle pumping system, and adding additional instrumentation to optimize the plant tankage available at the site. This work is estimated to raise the permitted wasteload capacity of the system from 2,480 lbs/day to approximately 3,900 lbs/day, maximum month average. The process analysis supporting these outcomes will be provided to Ecology in 2022 to ensure alignment with regulatory expectations.

Basis: Capacity



Alliance General Sewer Plan/Wastewater Facilities Plan

Cost: \$1,000,000

Scope: The plan will provide a recommended program for future investments that meet the growth demands on the system, is consistent with regulatory requirements and reflects Alliance values. The plan will provide updated flow and loading assessments, considering current and future regulatory requirements, and explore alternatives in these areas:

- Regional wastewater transmission options associated with routing future Battle Ground area flows and future upgrades for the 117th Street Pump Station.
- Regional wastewater treatment options, including use of City of Vancouver facilities and Ridgefield Treatment Plant decommissioning.
- Reclaimed water alternatives and cost effectiveness (per RCW 90.48.112).
- Residuals and resource recovery options, including Class A biosolids and digester gas utilization.
- Stormwater master plan/regulatory review update for Salmon Creek Treatment Plant site.

Basis: Level of Service

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APPENDIX

Discovery Clean Water Alliance

2023-2024 Operating and Capital Budget

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APPENDIX A

Glossary of Terms

Account

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

Account Balance

The amount of cash and investments in a fund after paying current budget obligations. 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 equal or exceed 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 Kline Interceptor at NE Salmon Creek Avenue. The pipeline was constructed in the early 1990's.

Beginning Account Balance

The residual account balance represents unused funds 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 \$10,000 and a useful life of greater than one year.

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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 2021 and 2022 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 expenditures 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 1 through December 31, 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.

Interlocal Agreement

An agreement between two or more 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.

Klineline Interceptor (KI)

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).

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 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.

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.

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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.

Salmon Creek Interceptor (SCI)

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).

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

| Category | Objective | Policies |
|---|---|--|
| Reserves | Reserve balances are funds set aside for a 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 ensures 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 that 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 Alliance's 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



To: John Peterson, P.E., General Manager, Clark Regional Wastewater District
David Logan, Finance Director, Clark Regional Wastewater District

From: Britny Carrier, CPA, Finance Manager, Clark Regional Wastewater District

Subject: Draft 2023-2024 Budget – Administrative Services – District

Attached is the District's draft 2023-2024 budget for Administrative Services to the Alliance.

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

Exhibit A –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 the Phase 5A Package 2 – Columbia River Effluent Pipeline and Phase 5B Package 2– Salmon Creek Treatment Plant Improvement projects that are necessary to meet the ongoing treatment service needs of the region.

The District is proposing a total 2023-2024 Administrative Service Budget of \$4,390,826, an increase of 19.6% over the prior biennium budget. This increase is driven by the following factors:

- The first full biennium of two dedicated full-time Alliance Construction Program Manager, limited term positions through 2024, to assist capital planning and capital project delivery
- Increase in insurance rates through the Washington State Risk Management Pool (WSRMP)

Discovery Clean Water Alliance

2023-2024 Operating and Capital Budget

Exhibit A Administrative Lead Services to the Discovery Clean Water Alliance 2023-2024 Budget Proposal

| | Amended 2021-2022 Budget | 2023 -2024 Budget | 2023-2024 \$ Change | 2023-2024 % Change |
|---|--------------------------------|----------------------|------------------------|-----------------------|
| Expenses | | | | |
| Administrative Lead Contract | | | | |
| <i>Contract Services - Interlocal Formation Agreement (IFA)</i> | | | | |
| Executive and Administrative Services | 241,969 | 228,789 | (13,180) | |
| Financial and Treasury Services | 205,387 | 187,328 | (18,059) | |
| Engineering Services* | 1,362,691 | 2,096,709 | 734,018 | |
| Total Contract Services | 1,810,047 | 2,512,826 | 702,779 | 38.8% |
| <i>Professional Services - IFA</i> | | | | |
| Existing and Emerging Regulatory Support | 211,000 | 200,000 | (11,000) | |
| Capital Plan and Capital Program Support | 460,000 | 500,000 | 40,000 | |
| Asset Management Program Support | 50,000 | 50,000 | - | |
| Operator Engineering Support | 80,000 | 85,000 | 5,000 | |
| Condition Assessment | 200,000 | - | (200,000) | |
| Communications/Public Engagement | 42,000 | 45,000 | 3,000 | |
| Financial Consulting | 10,000 | 10,000 | - | |
| Computer/IT Support | 2,000 | 2,000 | - | |
| Total Professional Services | 1,055,000 | 892,000 | (163,000) | -15.5% |
| <i>Other Expenses</i> | | | | |
| Pretreatment | 15,000 | 15,000 | - | |
| Advertising/Public Notices | 1,000 | 1,000 | - | |
| Miscellaneous | 9,000 | 9,000 | - | |
| Total Other Expenses | 25,000 | 25,000 | - | 0.0% |
| Total Administrative Lead Contract | \$2,890,047 | \$3,429,826 | \$ 539,779 | 18.7% |
| Other Contracts/Expenses | | | | |
| Insurance Contract | | | | |
| <i>Property, Liability, Errors/Omissions</i> | 550,000 | 633,000 | 83,000 | |
| Legal Services Contract | | | | |
| <i>Foster Garvey PC</i> | 80,000 | 90,000 | 10,000 | |
| Professional Services - Environmental Monitoring | | | | |
| <i>City of Vancouver</i> | 30,000 | 60,000 | 30,000 | |
| Professional Services - Advocacy | | | | |
| <i>CFM Advocates</i> | 48,000 | 108,000 | 60,000 | |
| Audit Services | | | | |
| <i>Washington State Auditor's Office</i> | 35,000 | 37,000 | 2,000 | |
| Other Expenses | | | | |
| <i>Post Debt Issuance Compliance</i> | 10,000 | 5,000 | (5,000) | |
| <i>Clark County Property Taxes</i> | 14,000 | 14,000 | - | |
| <i>Misc Bank Fees, Permits, Memberships</i> | 14,000 | 14,000 | - | |
| Total Other Expenses | 38,000 | 33,000 | (5,000) | -13.2% |
| Total Other Contracts/Expenses | \$ 781,000 | \$ 961,000 | \$ 180,000 | 23.0% |
| Total Budget - Administrative Services | \$3,671,047 | \$4,390,826 | \$ 719,779 | 19.6% |

* Includes construction management

APPENDIX D

Regional Assets Operator Budget

Operator: Clark Regional Wastewater District

Discovery Clean Water Alliance

2023-2024 Operating and Capital Budget



To: Management-Infrastructure Committee/Finance Advisory Committee
John Peterson, P.E., General Manager, Clark Regional Wastewater District
David Logan, Finance Director, Clark Regional Wastewater District

From: Britny Carrier, CPA, Finance Manager, Clark Regional Wastewater District

Subject: Draft 2023-2024 Budget – Contract Operator - District

Attached is the District's draft 2023-2024 budget to operate all Regional Assets under contract.

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

Exhibit A – Salmon Creek Treatment Plant Operating Budget

Exhibit B – Ridgefield Treatment Plant Operating Budget

Exhibit C – Other Regional Assets Operating 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 repair and replacement (R&R) projects. Recurring 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 significantly over and above the prior year's operating budget are done through budget decision packages (BDPs). BDPs are reviewed by the Standing Committees and approved by the Board.

The District is proposing a total 2023-2024 budget of \$13,668,792 to operate all Regional Assets, broken down as follows:

| Regional Asset | 2021-2022 Amended Budget | 2023-2024 Draft Budget | Change (\$) | Change(%) |
|--|-----------------------------|---------------------------|------------------|--------------|
| Salmon Creek Treatment Plant | \$ 9,818,891 | \$ 11,961,292 | \$ 2,142,401 | 21.8% |
| Ridgefield Treatment Plant | 1,584,000 | 1,590,000 | 6,000 | 0.4% |
| Regional Biofilter | 15,000 | 38,500 | 23,500 | 156.7% |
| Battle Ground Force Main | 97,500 | 68,000 | (29,500) | -30.3% |
| Regional Interceptors | 11,000 | 11,000 | - | 0.0% |
| Total District Contract Operator Budget | 11,526,391 | 13,668,792 | 2,142,401 | 18.6% |

A few key budgetary assumptions are summarized below:

Operating Budget – Salmon Creek Treatment Plant

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

- An increase in personnel costs related to:

- Two additional FTEs added at the SCTP when the District assumed operations of the plant, which will be required at the conclusion of Phase 5 per Ecology
- One additional FTE added at the SCTP to begin an Operator in Training program
- Bringing all former County staff wages more in line with market rates, an average 10.8% increase for each employee
- A proposed 5% market rate adjustment on January 1, 2023
- An increase in health insurance rates
- An increase in Ecology required permit fees.
- An increase in the Repair and Replacement program as a plant condition assessment is completed in 2022 and immediate maintenance needs are identified.

Operating Budget – Ridgefield Treatment Plant

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

- Reduction in personnel requirements as the District leverages staff at the SCTP
- Chemical usage will increase from prior budget
- Level of maintenance will increase from prior budget
- Increase in lab analysis rates
- Increase in permitting fees due to rate increases
- Repair & Replacement will decrease from prior budget as critical maintenance work is caught up

Operating Budget – Other Regional Assets

Exhibit C provides a breakdown by type of expenditure for the other Regional Assets operated by the District. Assumptions to this budget include:

- Budgeting for utilities at the Regional Biofilter (not budgeted in prior biennium)
- Reduced need for staff time in maintaining the Battle Ground Force Main

Discovery Clean Water Alliance

2023-2024 Operating and Capital Budget

Exhibit A Salmon Creek Treatment Plant 2023-2024 Operating Budget Proposal

| | 2021-2022 Amended Budget* | 2023-2024 Budget | Change (\$) | Change(%) |
|---|---------------------------------|---------------------|--------------------|-------------|
| SALMON CREEK TREATMENT PLANT | | | | |
| Operating Expenses | | | | |
| Personnel | | | | |
| Salaries and Benefits | 3,409,047 | 4,942,783 | 1,533,736 | 45% |
| Memberships/Certifications | 1,326 | 5,000 | 3,674 | 277% |
| Travel Expenses | 9,259 | 21,136 | 11,877 | 128% |
| Training | 9,603 | 13,956 | 4,353 | 45% |
| Total Personnel | 3,429,235 | 4,982,875 | 1,553,640 | 45% |
| Supplies | | | | |
| Operational Supplies | 487,693 | 77,000 | (410,693) | -84% |
| Computer Equip/Software | 67,957 | 44,000 | (23,957) | -35% |
| Evidence/Lab Supplies | 230,000 | 280,000 | 50,000 | 22% |
| Parts | 82,485 | 390,000 | 307,515 | 373% |
| Chemicals | 500,000 | 604,000 | 104,000 | 21% |
| Fuel | 20,314 | 52,000 | 31,686 | 156% |
| Tools | 7,957 | 40,000 | 32,043 | 403% |
| Uniforms | 3,605 | 32,000 | 28,395 | 788% |
| Total Supplies | 1,400,011 | 1,519,000 | 118,989 | 8% |
| Utilities | | | | |
| Communications | 5,676 | 23,000 | 17,324 | 305% |
| Electricity | 426,940 | 1,450,000 | 1,023,060 | 240% |
| Natural Gas | - | 104,000 | 104,000 | 100% |
| Water/Sewer/Storm Water | 8,000 | 2,000 | (6,000) | -75% |
| Garbage/Recycling | 19,892 | 86,000 | 66,108 | 332% |
| Total Utilities | 460,508 | 1,665,000 | 1,204,492 | 262% |
| Operations and Maintenance | | | | |
| Maintenance Support | 17,500 | 100,000 | 82,500 | 471% |
| Building and Grounds Maintenance | 7,957 | 170,000 | 162,043 | 2036% |
| Vehicle and Equipment Maintenance | 69,367 | 50,000 | (19,367) | -28% |
| Total Operations and Maintenance | 94,824 | 320,000 | 225,176 | 237% |
| Professional Services | | | | |
| Digester Cleaning | 500,000 | - | (500,000) | -100% |
| Sludge Hauling | 382,500 | 1,332,000 | 949,500 | 248% |
| Consultant Support | 50,000 | 300,000 | 250,000 | 500% |
| Lab Calibrations | 5,150 | 8,000 | 2,850 | 55% |
| Custodial Cleaning | 8,620 | 110,000 | 101,380 | 1176% |
| Other Professional Services | 2,547,067 | 100,000 | (2,447,067) | -96% |
| Total Professional Services | 3,493,337 | 1,850,000 | (1,643,337) | -47% |
| Other | | | | |
| Permits - State/local agencies | 80,201 | 427,000 | 346,799 | 432% |
| Miscellaneous | 112,981 | 6,000 | (106,981) | -95% |
| Administrative Support | 545,544 | 741,417 | 195,873 | 36% |
| Total Other Expenses | 738,726 | 1,174,417 | 435,691 | 59% |
| Total Operating Budget | 9,616,641 | 11,511,292 | 1,894,651 | 20% |
| Repair and Replacement | 202,250 | 450,000 | 247,750 | 122% |
| Total Salmon Creek Treatment Plant Operator Budget | 9,818,891 | 11,961,292 | 2,142,401 | 22% |

Discovery Clean Water Alliance

2023-2024 Operating and Capital Budget

Exhibit B Ridgefield Treatment Plant 2023-2024 Operating Budget Proposal

| | 2021-2022 Budget | 2023-2024 Budget | Change (\$) | Change(%) |
|---|---------------------|---------------------|-----------------|------------|
| RIDGEFIELD TREATMENT PLANT | | | | |
| Operating Expenses | | | | |
| Personnel | | | | |
| Salaries and Benefits | 711,000 | 664,793 | (46,207) | -6% |
| Memberships/Certifications | - | 4,000 | 4,000 | 100% |
| Travel Expenses | 3,000 | 5,370 | 2,370 | 79% |
| Training | 3,000 | 2,900 | (100) | -3% |
| Total Personnel | 717,000 | 677,063 | (39,937) | -6% |
| Supplies | | | | |
| Operational Supplies | 11,000 | 14,300 | 3,300 | 30% |
| Computer Equip/Software | 1,000 | 1,000 | - | 0% |
| Small Tools and Equipment | 9,000 | 7,000 | (2,000) | -22% |
| Fuel | 2,000 | 9,200 | 7,200 | 360% |
| Chemicals | 54,000 | 71,400 | 17,400 | 32% |
| Uniforms | 8,000 | 7,000 | (1,000) | -13% |
| Total Supplies | 85,000 | 109,900 | 24,900 | 29% |
| Utilities | | | | |
| Communications | 10,000 | 12,000 | 2,000 | 20% |
| Electricity | 71,000 | 69,360 | (1,640) | -2% |
| Water/Sewer/Storm Water | 8,000 | 9,200 | 1,200 | 15% |
| Garbage/Recycling | 6,000 | 6,550 | 550 | 9% |
| Total Utilities | 95,000 | 97,110 | 2,110 | 2% |
| Operations and Maintenance | | | | |
| Vehicles/Equipment Maintenance | 2,000 | 4,300 | 2,300 | 115% |
| RTP Operations Maintenance | 41,000 | 67,500 | 26,500 | 65% |
| Computer Maintenance/Service | 18,000 | 18,000 | - | 0% |
| Total Operations and Maintenance | 61,000 | 89,800 | 28,800 | 47% |
| Professional Services | | | | |
| Professional Services | 20,000 | 20,000 | - | 0% |
| Sludge Hauling | 85,000 | 92,000 | 7,000 | 8% |
| Total Professional Services | 105,000 | 112,000 | 7,000 | 7% |
| Intergovernmental Services | | | | |
| Lab Analysis - Clark County, BSK | 50,000 | 114,300 | 64,300 | 129% |
| Permits - State/local agencies | 17,000 | 38,000 | 21,000 | 124% |
| Sludge Treatment - Clark Co./Three Rivers | 139,000 | 122,500 | (16,500) | -12% |
| Administrative Support | 132,000 | 129,327 | (2,673) | -2% |
| Total Intergovernmental Services | 338,000 | 404,127 | 66,127 | 20% |
| Total Operating Budget | 1,401,000 | 1,490,000 | 89,000 | 6% |
| Repair and Replacement | 183,000 | 100,000 | (83,000) | -45% |
| Total Ridgefield Treatment Plant Operator Budget | 1,584,000 | 1,590,000 | 6,000 | 0% |

Discovery Clean Water Alliance

2023-2024 Operating and Capital Budget

Exhibit C Other Regional Assets 2023-2024 Operating Budget Proposal

| | 2021-2022 Budget | 2023-2024 Budget | Change (\$) | Change(%) |
|--|---------------------|---------------------|-----------------|-------------|
| Regional Biofilter | | | | |
| Personnel | 6,400 | 10,000 | 3,600 | 56% |
| Maintenance | 5,600 | 15,000 | 9,400 | 168% |
| Utilities | - | 11,000 | 11,000 | 100% |
| Miscellaneous | 2,000 | 1,000 | (1,000) | -50% |
| Administrative Support | 1,000 | 1,500 | 500 | 50% |
| Total Regional Biofilter Operating Budget | 15,000 | 38,500 | 23,500 | 157% |
| Battle Ground Force Main | | | | |
| Personnel | 50,000 | 20,000 | (30,000) | -60% |
| Chemicals | 20,000 | 30,000 | 10,000 | 50% |
| Operating Supplies | - | 5,000 | 5,000 | 0% |
| Professional Services | 20,000 | 10,000 | (10,000) | -50% |
| Administrative Support | 7,500 | 3,000 | (4,500) | -60% |
| Total Battle Ground Force Main Operating Budget | 97,500 | 68,000 | (29,500) | -30% |
| Regional Interceptors | | | | |
| Personnel | 9,600 | 9,600 | - | 0% |
| Administrative Support | 1,400 | 1,400 | - | 0% |
| Total Regional Interceptors Operating Budget | 11,000 | 11,000 | - | 0% |
| Total Other Regional Assets Operator Budget | 123,500 | 117,500 | (6,000) | -5% |

APPENDIX E

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

| Period | Revenue Bonds | PWTF Loans | SRF Loans | Total |
|---------------|--------------------------|-----------------------|----------------------|---------------|
| 2023-2024 | \$ 48,633,000 | \$ 19,349,000 | \$ 158,000 | \$ 68,140,000 |
| 2025-2026 | 42,723,000 | 16,666,000 | - | 59,389,000 |
| 2027-2028 | 81,662,000 | 14,708,000 | - | 96,370,000 |

APPENDIX F

Debt Repayment Schedule

| Period | Principal | Interest | Total |
|-----------|---------------|---------------|---------------|
| 2023-2024 | \$ 11,361,000 | \$ 5,588,000 | \$ 16,949,000 |
| 2025-2026 | 8,751,000 | 5,031,000 | 13,782,000 |
| 2027-2028 | 9,267,000 | 7,574,000 | 16,841,000 |
| Total | \$ 29,379,000 | \$ 18,193,000 | \$ 47,572,000 |

APPENDIX G

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 \$32,167,380,486, which calculates to a legal debt limit of \$160,836,902. The Alliance's total debt outstanding as of 12/31/2022 is \$79,501,000.

| BOND COVERAGE RATIO | | | |
|------------------------------|------------------|------------------|------------------|
| | Actual | Budget | Budget |
| | 2019-2020 | 2021-2022 | 2023-2024 |
| Gross Revenues | | | |
| Regional Service Charges | \$ 28,460,000 | \$ 31,119,000 | \$ 36,384,000 |
| Interest on Investments | 238,612 | - | - |
| Total Gross Revenues | 28,698,612 | 31,119,000 | 36,384,000 |
| Operating Expenses | | | |
| Administrative Lead Services | 2,193,000 | 3,671,000 | 3,430,000 |
| Professional Services | 166,000 | 193,000 | 295,000 |
| Regional Asset Operations | 9,829,000 | 11,527,000 | 13,669,000 |
| Insurance | 358,000 | 550,000 | 633,000 |
| Miscellaneous Expenses | 28,000 | 38,000 | 33,000 |
| Total Operating Expenses | 12,574,000 | 15,979,000 | 18,060,000 |
| 1.10 Coverage Test | | | |
| Net Revenue | 16,124,612 | 15,140,000 | 18,324,000 |
| Debt Service | 2,470,000 | 3,677,000 | 6,822,000 |
| Coverage | 6.53 | 4.12 | 2.69 |

| OPERATING EXPENSE AND DEBT PRINCIPAL COVERAGE ANALYSIS | | | |
|---|----------------------|----------------------|----------------------|
| | Actual | Budget | Budget |
| | 2019-2020 | 2021-2022 | 2023-2024 |
| Gross Revenues | | | |
| Regional Service Charges | \$ 28,460,000 | \$ 31,119,000 | \$ 36,384,000 |
| Interest on Investments | 238,612 | - | - |
| Total Gross Revenues | 28,698,612 | 31,119,000 | 36,384,000 |
| Operating Expenses | | | |
| Administrative Lead Services | 2,193,000 | 3,671,000 | 3,430,000 |
| Professional Services | 166,000 | 193,000 | 295,000 |
| Regional Asset Operations | 9,829,000 | 11,527,000 | 13,669,000 |
| Insurance | 358,000 | 550,000 | 633,000 |
| Miscellaneous Expenses | 28,000 | 38,000 | 33,000 |
| Total Operating Expenses | 12,574,000 | 15,979,000 | 18,060,000 |
| Net Revenues Available for Debt Service | 16,124,612 | 15,140,000 | 18,324,000 |
| Debt Service - Alliance (Principal Only) | | | |
| Bonds | 2,470,000 | 3,677,000 | 6,822,000 |
| PWTF Loans | 3,650,980 | 4,445,000 | 4,418,000 |
| SRF Loans | 510,745 | 440,000 | 121,000 |
| Total Debt Service | 6,631,725 | 8,562,000 | 11,361,000 |
| Net Revenue After Payment of Debt Service | \$ 9,492,887 | \$ 6,578,000 | \$ 6,963,000 |
| Operating Expenses Covered (Not Covered) by Rates | \$ 16,124,612 | \$ 15,140,000 | \$ 18,324,000 |

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