

Three Creeks Advisory Council
June 10, 2010
Clark Regional Wastewater District
10:00 am to 12:00 pm

Members Present: Dan Bodell , Jim Carlson, Michael Harris, Beth Holmes, Denny Kiggins, Ron Lauser, Vaughn Lein, James Spinelli, Ila Stanek, Bud Van Cleve, Ron Wilson,

Alternates: John Peterson, Lynn Valenter

Absent: Commissioner Tom Mielke, Hal Dengerink, Dave Taylor, David Taylor

Staff Present: Oliver Orjiako, Jeff Niten, Mary Beth O'Donnell

Vaughn Lein opened the meeting and asked for approval of minutes from April 8, 2010. Ila Stanek had one grammatical correction on Page 1 which was noted and will be corrected. Motion to approve was carried unanimously.

John Peterson and his group were first on the agenda. John spoke to the advisory council a year ago with an overview on two topics, the initial phase of the regional sewer discussions and initiatives and details of the inter-local agreement with the city of Vancouver.

John introduced the two consultants that are working on the Regional Business Plan with CRWWD, Chris Cleveland of Brown & Caldwell and Jason Robertson of J. Robertson & Company. They have been guiding staff and elected officials through discussions. An important part of the plan is the stakeholder outreach. Since Three Creeks and this council is representative of a large portion of the sewer study area, they want to engage them as stakeholders for guidance during the process.

Chris gave an overview of the plan, program goals and the stakeholder engagement program. A dialog with the group about concerns, interests, or questions will follow later in the meeting. The next workshop with the elected officials group is tomorrow. Had they presented to the Three Creeks council after that meeting there would have been more to share, but they will report on the plan to date.

Chris reviewed Power Point slides which were also distributed in hard copy. The Regional Business Plan is in Phase II. It's about bringing people together to do something better for the region. There are three guiding principals: provide capacity to support economic development (important for land use); better environmental stewardship (do the right thing for the surroundings); more stable and lower rates over time. These things were brought forward into the development of the program. The consultants' task was to put together a business plan that would enable that to happen for the participating agencies which are the city of Battle Ground, city of Ridgefield, Clark County and CRWWD.

Part of the preparation work was considering the key project success factors: representation under Hub agency (new regional entity and how they would be represented); how would the current work force be transitioned by the new Hub agency; what is the contribution and benefit to each of the agencies; and demonstrate cost effectiveness.

The first workshop with participating agencies was a month ago to validate these key factors, kick off the process and share the experience of the team. There are two other critical members of the team. Hugh Spitzer, attorney with Foster Pepper who is involved with issuing financial bonds and land use issues and will help with the legal framework going forward; and Mark Gardner with

Western Financial Group, an economist and financial expert who will help with the complex financial issues of putting these agencies together. Collectively the team has done this kind of work a number of times before. This is a very feasible plan.

One of the model agencies looked at in Phase I is the LOTT (Lacey Olympia Tumwater and Thurston County) Clean Water Alliance. They formed a regional framework to do something very similar. They are heralded as a model agency in the state for regional cooperation, developing a distinct mission, and being able to deliver the service that was needed by the community. When that started in 1995 it wasn't an easy process. They weren't willing partners but were forced into it by the Department of Ecology who said they couldn't play independently, but they had to work together because they did not want separate programs in that area. The consulting team was asked to facilitate a common vision for a plan and create the governing structure and the new entity for them to move forward. Now there is better participation and collaboration but it took time to go through. It is based on a fundamental understanding of what's important to people, both to the agencies and the public. We're very interested in that and how we can make those things occur by demonstrating to people like you with this new agency.

One of the outcomes that usually go unnoticed is their water reclamation process where they recycle the water and the high level of treatment they provide. Their rates are stable and they know how the rates will be adjusted going forward within the inflation guideline. They can justify their capital expenditures back to the principles put together during the formation of the plan. Even when they first made adjustments to their rates, which made them initially higher than the surrounding communities, they've been able to hold those flat or keep them up with inflation because of the good financial planning. Now they're ahead of their capital program and in the bottom third of rates in the area providing the highest level of service and treatment. You can do a lot with good and directed financial management. Not that things here are not managed well now, but good things can happen and it can be done very cost effectively. That is the message we want to carry forward. This is a great opportunity for collaboration. Jason said the nuance of the scale provides a lot of opportunity for stability.

Jim C. asked what they are doing with the recycled water. Chris said the wastewater is collected then treated much like at the Salmon Creek plant (secondary treatment). In LOTT's case there are two additional steps that occur: a filtration step and a disinfectant step. It's considered Class A reclaim water which is suitable for everything except drinking. Currently they use it to irrigate parks and the port uses it to wash down industrial properties and dust control. They convey it to ground water recharge basins where sand basins, similar to storm water ponds, filter it into the ground and eventually into the aquifer then the cities set up water right claims to use it. The state currently enables the generator of reclaimed water to be the owner of it. In a partnership situation, if one of the partners wanted to use it, the Hub agency owns it so they have to have an agreement in place to use it directly. There are administrative things you have to deal with to make the recycling program work to benefit each of the partners. Jason commented that reclaimed water can also be used for golf courses and it saves money on developing new tap water sources. Jim said that's why he is so interested. When the comprehensive plan update was done, Ridgefield was not able to develop because they couldn't dump their treated water into the river. This could be a solution for that type of situation if the infrastructure is in place to distribute it back into the ground source, into the aquifers then use it for agriculture, etc. Is that in the plans? Chris said it is happening in Olympia and it certainly could here. It's far more cost effective to infiltrate the ground with water as opposed to building a distribution system for a golf course. If you build it while you're developing new land it's more cost effective. But if you're retrofitting facilities it tends not to be cost effective given the current cost of water. Water reclamation is not cost effective when done on a jurisdictional, or city, level. It's more of a regional exercise.

Vaughn asked how easy it has been to work with getting the infrastructures in place. Chris said once you identify the groundwater recharge locations you have to build a way to transfer the water from the production facility at your plant to wherever that water recycling opportunity is. In their experience, users that fall within reasonable distance off that line, or go a block one way or

another to pick up a user are the best opportunities. From their (LOTT) main treatment plant, they have a recharge basin site just south of Olympia in Tumwater that's under development. They're building a pipeline from downtown Olympia to the new basin. There's a golf course right on the route so they've built a storage facility pipeline to put it into. The golf course has retrofitted their sprinkler system to identify the potable water from their reclaimed water irrigation system. Those are the types of things that you have to work out. Depending on the economic situation, you'd have to figure out whether that would be the agency's expense or the owners. What happens in terms of the pipes, and plants, etc. is independent of what we're doing as part of the regional business plan. We're building the business model. The "what" was part of the initial planning that's already been completed at the end of 2009.

John commented that the Columbia River bounds two sides of Clark County. When we were doing the 50 year planning the elected officials asked, is there enough water to support 1 million people in Clark County someday? What we found in the planning work is that between both the city of Vancouver and CPU's long range plans, there's more than enough water for more than 50 years. While these other things are exciting to explore and people could choose to do them if they want to pay for a higher level of service, it is hard to justify from a cost of service basis. We did include some elements of that plan in the 50 year horizon so that it was there as part of the long range planning, but it's really tough to make it pencil out in the short term because we have a large supply of water in the system that distributes it already. From a pragmatic standpoint, it's not likely to be a major element of life in Clark County in the next 20 years unless the public is interested in a higher service and cost level to manage water resources in a different manner. The interest of the public in these types of services is something we hope to explore in this phase of study.

There are other success stories we've been involved with as well. The Clean Water Services utility in Washington County, Oregon and MWMC in Springfield/Eugene are examples of diverse parties that have come together to form regional partnerships. Our team members have had our fingers in most of these things around the region and are bringing that experience here. The solution is going to be driven by the participating agencies. Jim said, so we should just cross off recycling part of it? Chris said right now it's not in the short-term plan but it's not for him to decide. It could be explored further in the discussions about level of service and cost of service and let the community decide.

As part of the selection process our team had to present what our project approach was for preparing the business plan. It's a proven process whether your developing a sewer system or a private business, you'd want to ask these same questions.

Conceptually, we start with shared values then develop the levels of service, the seven core utility areas and finally develop the regional business plan with the outcome. So you go from having the context to the substance of the plan. We're at the point of making sure we have all the context right so that these seven parts that we need to work through are solid. That's where you play a part because you help set some of that context to make sure policy makers understand what the community is expecting of this agency.

Bud asked how it is structured for shared responsibility, by the number of customers or size of each individual agency. Chris said that is part of the process and they don't have that answer yet. That will be addressed once they have an agreement on what the responsibilities of the agency are and what authority we want to empower the Hub agency with. Such as, do we want them to have the ability to issue debt, and how will that be represented by the participating agencies. It has to be fair to all. This has been identified as a challenge because each of the agencies are going to be putting different things into the mix – they're not all the same size, they have different assets and needs but it has to be win/win for everybody.

Schedule: Spring 2010: stakeholder interviews, workshops, financial evaluation; Summer: legal framework i.e. inter-local agreements, MOU's; public involvement; Winter 2010/2011: begin to prepare regional business plan and be ready to launch in spring 2011.

There are two other investigations we're looking at. One is feasibility once this structure is set up for the sewer service. Does it make sense for this entity to provide storm water management services too? The other is a visioning study for the Battle Ground highway, which we will conduct later this summer or early fall. What does that area between Battle Ground and I-5 look like? That's the only thing we'll have our finger in that touches land use. We're trying not to get involved with land use issues with the exception of this.

Jason said there are some questions they have for the group. One common thread in the success stories where this has worked is using public values to drive the decision making. If we get a set of core values that we want to achieve it's easier when we run into difficult issues to be able to navigate through them.

We're doing stakeholder interviews right now, we've met with elected officials of the participating jurisdictions and the management teams to get a sense of what they hope to achieve. We've set this up with checks and balances so we meet periodically with the elected officials to see how we're doing. The legal team is also checking in. Surveys regarding important values will be done with the public to make sure we capture what they want. Once we have a set of core values we can convert those into services.

So far we have a good set of core values that will be unveiled to the officials at tomorrow's meeting. After that meeting we'll share them with the group. The interviews so far have been positive and very candid. People believe that we're moving in the right direction. Agencies want to make sure it's a good deal for the rate payer. We have a great group of partners but people want to know, what about Vancouver or La Center? They want us to keep track of what they're thinking so there aren't surprises down the road.

Kelly Sills said with eight cities in Clark County, should it be a county-wide approach? In the long term it makes sense. Is this being set up to go to the next level, or just for these four agencies? Jason said it definitely has a longer term vision and that's one of the topics for tomorrow with the elected officials. We'll introduce the financial tool that can be much broader than the four partners. Denny said it's important to understand all those involved are not just four core agencies. There is a total of eight additional coordinating agencies. They are Port of Ridgefield, CPU, La Center, Yacolt, Camas, Washougal, and Vancouver. Woodland was also included in the initial process so we're trying to be countywide. Four of the original twelve agencies were willing to step forward and say there's enough merit here so let's see if we can put a partnership together but give it the framework so others who may want to join later could do so.

John introduced Kelly Sills, the Economic Development Coordinator of Clark County to the consultants. Economic development is one of main objectives of this organization to be effective at providing at least the sewer cog in the greater scheme. John asked Kelly to speak to what economic development looks like in Clark County when you think about regional discussions and how sewer fits into that. Kelly said economic development essentially is how you develop the land. You don't get development without sewer so to the extent that you create a regional sewer mechanism that eliminates some of the land use conflicts and barriers; if you can develop the system, you can develop land use.

Slide: Stakeholder interviews schedules, list of groups. We will hit most of these groups over the next couple of weeks. This is first tier. We want to be informed by and understand where everyone is here in the county.

Having completed the internal interviews, we asked the different jurisdictions who we need to talk to next. Some other parties include BIA of Clark County, Senator Zarelli (who contributed money

to the effort), Columbia River EDC, Hazel Dell/Salmon Creek Business Association and Miller Nash. Port of Vancouver is not listed here but they are on the list. There is a four page list of other organizations so this list is just the first tier. We want to be informed by and understand the goals of different businesses in Clark County.

We want your feedback so the three general questions to consider are:

- What information is important to convey to the public? Who is the public and who are the groups we need to be reaching?
- What's the best way to engage with people - forums, on-line surveys, other?
- Are there any questions that you want to ask of the core partners?

Ila said she thinks they'll be surprised at the interest in the community in the stormwater management element. This is something we've been asking of the county for a long time. Once this group is formed will it become an entity that is unobservable? Will the city of Vancouver say "we're going to take over the whole thing?" John replied that one of the weaknesses of a special purpose districts' empowering legislation at the state level is the city has the right of assumption over a Chapter 57 water/sewer district. That has forced the district into some hard negotiations with the city. This new entity may or may not be under that same legal framework. The intention is both that it not be vulnerable to some change of direction but that the city has to be involved in the discussions at some level. Because if they do annex the service area they'll have customers served by this regional entity. The legal structure has to be sufficient to do their job, but we also have to plan for how the city would become a stakeholder in the process at some point because that is likely to happen. Chris added that is why they have the seven topic areas for the businesses - to ensure that we understand the role the agency needs to be, what changes to anticipate and how we can deal with those, especially the governance piece; how does that adapt to different representation by different groups over time. Fairness is a big thing.

Kelly said the bottom line is we have the assumption of Hazel Dell getting annexed. If you can get a regional sewer system to eliminate sewer as part of land use conflict, it's going to vastly serve economic development, whether residential, industrial or commercial. Success in this effort could become a platform for multi-jurisdictional discussion. Chris said we need to make people understand this isn't a forum for land use, but whatever happens with that the sewer utility needs to support it. The collection systems are still proposed to stay with the local agencies according to the findings of the first phase of the study. The treatment and major conveyance systems that are the backbone are to be managed by the regional agency. The treatment facilities are ¾ of the cost. To regionalize the treatment function allows cities to operate their own local system. Even if the city of Vancouver were to take over parts of the district's local collection system, the city would still be getting its treatment service from this independent utility. The city understands and supports that in the discussions we've had with them. They see themselves as a future participant. If at some point they were to annex Orchards, they would become a member at the table but they wouldn't take over that regional function. They would just be another participant.

Kelly asked if the collection piece determines their ability to force annexation, or is it the treatment. Chris said it's the local collection, that parcel by parcel land use decision. Jason said we have to try to not get too far ahead of ourselves. We're still in the information collecting mode. Some of these decisions will be made later in the process. We're here to ask you what information you need to make a decisions, what do you want to get out of it, and how do you communicate with the people in your district so that we can use those channels to keep them informed.

Jim C. asked hypothetically if Ridgefield needs more treatment or capacity than others do, do we have to make vast improvements there that we don't have to make to the rest of the system? Would the cost be absorbed overall or would you look at a tax in a particular service area to cover those costs? Jason said we don't have an answer right now. It's a critical question. The question is how are the capital improvement costs distributed across the system? That's actually Item 4 or 5 on our list of things to tackle, Revenue and Debt.

Bud said when you get down to the bottom line, the average person doesn't care. All they're interested in is lack of service, they don't want interruption of service and they want the price down as cheap as they can get it. All this other stuff is the details that you have to work out.

Ila said engaging the public is good, on-line surveys are wonderful. You might think about attending the NACC. It has all unincorporated Clark County. We talk a lot and send information out to our people. Anytime you want us to we can send out information for you. We hit 70,000 people and represent 30 associations in the unincorporated area. They're very organized and probably the most effective mechanism to reach the local populace.

Kelly pointed out that the person on the street isn't always a human being; there are businesses out there too. It's the same issue CPU is dealing with right now; how to you spread costs. There's a reason why restaurants find it difficult to come to Clark County. They have to pay sewer costs so consequently we're not getting the restaurants here that we could be getting. Other businesses will face the same thing if you start placing extraordinary costs on them.

Jason said we hope to get to that in our discussions. We will be meeting with Hazel Dell Business Association and from those interviews we may learn other ways to communicate with businesses and make sure their issues and concerns are addressed.

John said he's excited about the public connection part of this. We hear exactly what Bud was saying earlier. People just want to flush and know that someone is taking care of it well and want the lowest bill they can get. The direction of the team is to look at the lowest cost system they can get into place. Now Jason and Chris can go and find out what the community needs and expects from us as utility providers. If a better business framework was with lower connection fees or up front costs, or being able to pay those fees over time, or some softer point of entry for businesses is a major theme then we can engineer that into the process. If we hear from the public that recycling water is more important than we had thought because we're working on a paradigm that isn't true or accurate anymore, then we can incorporate that in the process. The exciting part is to make the deeper connection with the community that we serve and be able to reverse engineer the utility and what it does to meet the needs of the community. Then we're doing what we're really here for.

Chris gave an example of a survey that was conducted in Salem Oregon. When asking them what was important, cost or level of service, it turned out they chose level of service even though it was twice the cost. That's what we're trying to set up here. What is the expectation and how should those costs be distributed. All the systems can work, we're trying to align it with what the community wants and every place is different.

There was discussion about making people aware of what they're paying for and if it's a benefit to them or the community. When they know what they're getting, they might be willing to pay more for it.

Ila said we're always talking about the footprint that we leave. We need to make it as green as we can get it and can afford. Chris said in Olympia that's what they did 12 years ago. If you align yourself with community values, you can be very cost effective because you have a clear vision and people are behind it and the rates and fees are supported because they're aligned with development. They just want to know what those fees will be so they can plan/budget for it.

Ila thought it would be fun to know what different rates are around the state. Chris said he has that information but cautioned that communities are different and systems are different. It's almost impossible to get an apples-to-apples comparison of rates. Ila thought if you had area/rate/method/level of service then we can look at that. Jason said there's another way to look at it. If we were to have a work shop, we could use a financial tool on how much does growth pay for growth? It's a mix of hook up fees vs. rates. You can plug in different numbers and people can

see how it works then they feel like they understand. That's a huge element; people need to know what they're paying for. If what we're doing can get better for a relatively reasonable and understandable price then it seems that's what we should do.

Bud said in addition to level of service, one thing you need to do is educate the consumer above and beyond that. John said we need to do better on that. We have not communicated well what service we're providing for what value.

Dan B. asked for the typical urban customer in Salmon Creek area for example, in 5 years from now once this process has happened, are they going to be able to see anything different other than a new letterhead on the bill? John said no. You will still get a bill from the local utility and this other utility will be working behind the scenes. There could be no change at all unless there's a rate increase because the public said they want different treatment. Those are things we'll be working through.

Dan B. asked if there's any organized opposition to the concept and if so, what is that? Chris said there are areas of concern which we identified earlier; how will it be governed now and in the future and is that fair? That has been the biggest issue identified so far. Also, am I subsidizing somebody else? It needs to be fair to all and no preferential treatment to one agency.

Everybody is still at the table because they think it's an intriguing idea. Is it going to be fair? We're trying to find that out through these interviews and we're still investigating.

Denny added to the discussion on rates. It's hard to equate because some infrastructure elements have been paid for by grants and others are paid for by the rates. That makes a big difference. Chris said through experience he has found it's very difficult to compare agencies and rates. You can't set up a rate number as a gauge for success. Ila said she just wants information for comparison. Chris said once you've prepared that information some times you can't control how it's used. We have to be able to educate people about how rates are set and why and that's a simple way to do it.

Vaughn said you're not planning for 10 or 20 years. You have to be able to tell the public this is a long term plan. We're not going to get into a situation like Coos Bay where they have a system that isn't working and they don't have any money. Chris said that is precisely why we're starting where we are. What is it that you want this to do? How will we measure our success? If you were to do this business as a private entity, it is one of the most expensive businesses you can get into. In terms of capital investments needed to turn revenue, it's one of the highest investments. The community has to bear that and it has to be longer term. Understand what it takes to sustain those and the governing system in place then we don't run into those problems. You also need the land. It's important to provide details of a survey – who, how, how many, etc.

When discussing rates it's important to think about long term stability. Elected officials don't want to talk about raising rates but if you show people that raising a little now avoids big increases later on they're more apt to go for it.

Jim C. is really interested in the recycling part of it. Put it in a digestible form that people can understand. As you promote it to the public, show them some performance numbers and the benefits.

Vaughn asked what the biggest challenges are for this region. Chris said he's still developing his understanding of that. At present there's lots of competition for economic development. We have to make sure the sewer utility isn't the throttle to enable or disable those economic development opportunities in the community. Who goes first, who gets the benefit of the regional entity first? It's more a political challenge than a financial one. The other challenge is the connection of what it is you want to do and why.

Oliver commented that folks would like to know simply what the benefits are and why we are doing this. Beth agreed and said when she hears consolidation of services she thinks about cost savings on a governmental level rather than a capital facilities level. It sounds more like the cost savings is in sharing the cost of the facilities themselves rather than reducing staff or overlap. Chris said that's pretty accurate.

Beth asked if we can do this successfully for the sewer, is this something that can be leveraged for other services the government offers. Jason asked if the group thought consolidation of services is a good message to take to the public. Is that something everybody wants to hear? Most agreed people want to hear about less government right now.

John said in the first phase of the study they learned that over the next 50 years there was \$1 billion of capital investment and \$1 billion of O&M to build and operate all the sewer systems in Clark County for next 50 years. Both are important. There are some operational efficiencies that add up over time. On the capital side, the difficulty with the sewer business is you have to front so much capital that you hope the folks come to pay their slice of it. You're always in a stair-step mode where you build ahead of capacity.

An example would be Battle Ground and the district has just funded a major expansion at the Salmon Creek plant. Right now the growth isn't there yet to sustain it but if you connect Ridgefield to that system which is a high growth area and a lot of opportunity, that investment that's already been made can be utilized more quickly and less of it stranded over a period of 20 years. You get capital and operational efficiencies that matter in long term.

Jim said that's a big statement there. It makes sense. It's cheaper to have capacity for regional economic development if you share the resources. The treatment capacity can move around instead of every city having their own. Jim said what he heard is we'll build to excess capacity that we're going to need and if the growth doesn't happen, we can run a pipe from here to here and utilize the capacity. Basically manage a network on a regional basis rather than everybody taking all the risk independently.

Time is another factor to put things into use. That's a consideration when we're putting the plan together and why long term is the most appropriate.

Jason said we've identified general messages that would be applicable anywhere but he wants to be sure what the sensitive issues are for this Three Creeks area.

Ila answered that we're not anxious to be part of the city of Vancouver. Bud said we've refused to join them and be part of their game. They have nothing to offer us but higher taxes. Jason said what we're doing here is providing regional capacity so as you decide what you want to do, you can tap into it whether your part of the city or remain a sub-area.

Vaughn asked for public comment. Julie Arenz, NE Hazel Dell Association, said maybe it is time for a paradigm shift with the younger generation. Where she works they hire 18-20 year olds everyday and before they even start the interview process, they ask what are you doing to help the earth? So she was happy to hear about the recycling concept but on the other hand surprised to hear it seems lower on the priority list. Maybe that could be put on the survey list to see if there's more interest out there or if it's just not feasible. Jason said it's in there, it's on the radar.

Vaughn said the next meeting is August 12. One topic is future urban reserve. The county has been charged to plan for growth and the commissioners have asked that we revisit the definition of urban reserve. In the 1994 plan, the urban reserve was not done in a manner that was appropriate, it didn't take a look at the area that was identified as future urban reserve, whether those areas can really be served and has the proper infrastructure. Oliver has engaged in conversation with the smaller jurisdictions on their areas of growth and future urban reserve areas. That may be of an interest to the advisory council when you look at the Vancouver UGA.

For example, the Rural Task force is looking at the rural areas and trying to come up with a concept of what will be future rural reserve areas so there is a push on the other side of the equation. Because right now there is no push to say this area is off limits. We will share the information with this group.

We will also discuss the Bicycle and Pedestrian Master Plan. That committee is completing their work and we want to present you with their recommendations to the Commissioners. They have identified areas through their inventory work that don't have adequate bike lanes and pedestrian walkways. Included will be some of the funding options being recommended.

Vaughn thanked Jason and Chris for their time today.

The meeting was adjourned 11:58 P.M.