## STAFF REPORT

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| **Agenda Item:** | 7 | **Name:** | Mike Reed |
| **Proposed No**.: | 2018-0555 | **Date:** | February 19, 2019 |

**SUBJECT**

Agreement with Soos Creek Water and Sewer District (“SCWSD”) for capacity reservation in Soos Creek conveyance facilities for the conveyance of City of Black Diamond wastewater to King County conveyance and processing facilities.

**SUMMARY**

Proposed Ordinance 2018-0555 authorizes the execution of an agreement with the Soos Creek Water and Sewer District providing for the reservation of capacity in SCWSD conveyance facilities— pipelines and pumps—for the conveyance of wastewater from the City of Black Diamond to King County interceptor pipelines, supporting the ultimate delivery of Black Diamond’s wastewater to King County’s South Treatment Plant in Renton. This agreement follows an extended period of planning, analysis and strategy development intended to address the provision of regional wastewater conveyance/treatment service to Black Diamond; it serves as an update to a series of earlier agreements with SCWSD for conveyance of Black Diamond’s wastewater flow. The agreement describes the projected volumes reserved, the terms of the reservation, and specifies the cost responsibility of the regional wastewater system for allocated capacity reserved in SCWSD conveyance facilities.

**BACKGROUND**

The City of Black Diamond, which is located in the southeast extremity of the King County Wastewater System service area, transitioned to sewer service in the 1960s. According to the 2012 Black Diamond Sewer Plan[[1]](#footnote-1),

 *“The residents of Black Diamond used individual on-site septic systems from the 1860s when Black Diamond was settled until the mid-1980s. In the 1960s the city initiated plans for the first public sewer system after public health concerns arose from approximately 500 failing septic systems.”*

The City and King County Metro (succeeded by the King County Wastewater Treatment Division) worked cooperatively over the succeeding years to address the wastewater issue in Black Diamond. After an initial treatment facility involving a natural marsh system was found to be inadequate and was abandoned in the 1960s, a period of planning, within the framework of the county’s Conveyance System Improvement Program, ensued. The focus of that effort was centered on developing a strategy to convey the city’s wastewater through the jurisdiction of the SCWSD, which borders Black Diamond, to County conveyance facilities.

The relationship between King County and the City of Black Diamond on this issue is addressed by the 1990 interlocal agreement (amended in 1992) between Metro and Black Diamond.

Pertinent language from the 1990 “Agreement for Sewage Disposal” with the City of Black Diamond speaks to the responsibility of the County regarding the extent of County interceptor pipelines, in relation to city-constructed pipeline responsibility:

*“The Metropolitan Sewerage System shall thus include trunk or interceptor sewer facilities extending to a point within each tributary and natural drainage area where not more than one thousand acres remain to be served beyond the upper terminus of such trunk or interceptor sewer.”*

The City of Black Diamond’s borders encompass an area of 6.66 square miles, or 4262.4 acres.

At the time of that original interlocal agreement, it was anticipated that the city’s delivery of sewage to the regional system might be accomplished through the conveyance facilities of a nearby jurisdiction….

 *“In lieu of directly connecting local sewerage facilities of the City to the Metropolitan Sewerage System, the City may deliver sewage to the Metropolitan Sewerage System by means of the Local Sewerage Facilities of another participant. In that event, the City shall secure and pay for the right to use all Local Sewerage Facilities of another participant which may be required to deliver the City’s sewage to the Metropolitan Sewerage System.”*

King County’s participation in regional conveyance systems is provided for in the Regional Wastewater Services Plan policies, including policy which assigns King County responsibility for conveying wastewater from local agencies to treatment facilities:

CP-2: King County shall construct the necessary wastewater conveyance facilities, including, but not limited to pipelines, pumps and regulators, to convey wastewater from component agencies to the treatment plants for treatment and to convey treated effluent to water bodies for discharge.

The assignment of conveyance responsibility to the County of wastewater from component agencies appears to include County responsibility for project capital expense.

Regional Conveyance planning is conducted within the framework of the WTD’s Conveyance System Improvement Project (“CSI”). The CSI Project is the systematic review, analysis, update and improvement of the larger regional conveyance system provided for in CP-4 of the Regional Wastewater Services Plan:

CP-4: The executive shall update the conveyance system improvement program every five years beginning in 2013 to ensure the program remains current.

Publications associated with the CSI planning in the Soos Creek Planning Zone, which include Black Diamond, reflect the evolution of strategy with regards to allocation of roles and responsibilities between the parties. In an August 2001 report by an agency consultant[[2]](#footnote-2), an “Alternative 3” capital improvement project, one of several options to convey wastewater through the SCWSD jurisdiction to King County conveyance and treatment facilities, was discussed;

 *“Capital Improvements for Alternative 3 include four pump stations, approximately 40,600 linear feet of force main, and approximately 71,300 linear feet of gravity sewer. King County would assume responsibility for existing SCWSD Lift Station 10 and approximately 21,000 linear feet of local force main and gravity sewer…*

*…In the Soos Planning Zone, King County flow projections are higher than local agency projections, indicating capacity may be exceeded sooner than local agencies expect. Subsequent studies should explore these differences and the implications for timing of projects and King County potentially taking responsibility for local facilities…*

*…Final design of regional system components in the Soos Planning Zone should consider and optimize use of local facilities with available capacity. Final configuration should consider any additional facilities planned or recently constructed by the SCWSD.”*

These recommendations highlight the focus on cooperative King County and SCWSD development and operation of facilities intended to convey the Black Diamond flow to King County facilities—and in particular, the recommendations suggest that the parties “optimize the use of local facilities with available capacity”.

Ultimately, this strategy was expressed in a revision to Alternative 3[[3]](#footnote-3), developed in cooperation with Soos Creek:

 *“In December 2001, King County and the Soos Creek Water and Sewer District (District) began discussing revisions to working alternative 3. The County and the District jointly developed working alternative 3A, which is described and evaluated in this 250 Supplemental Report. Alternative 3A incorporates flow split options described in various District configuration and cost estimate memos…*

*…Under working alternative 3A, the County has responsibility for some regional service components, and the District has responsibility for local service components.”*

The 2013 SCWSD Sewer Comprehensive Plan, reflects the emerging strategy addressed in Alternative 3A, involving optimization of the use of local facilities to convey the Black Diamond flow[[4]](#footnote-4):

*“The City transports its wastewater to King County Department of Natural Resources Wastewater Treatment Division via the Soos Creek Water & Sewer District’s system for treatment and disposal. The City had an agreement with Soos Creek Water & Sewer District that entitled the City to a capacity in the District’s system to serve 3,600 people or 990,000 gallons per day. In 2006, King County assumed responsibility and entered into an agreement with Soos Creek Water & Sewer District for the conveyance of sewage from the City. The terms of the agreement state that the City’s sewage will be conveyed through Soos Creek Water & Sewer District’s facilities and that King County will pay for the wheeling of those flows beginning in 2010. Soos Creek Water & Sewer District will have capacity to provide for the City’s sewage needs and its planned growth. The agreement with King County will be reviewed and modified as needed to accommodate for the terms of future capacity needs for the City.”*

**ANALYSIS**

Soos Creek Water and Sewer District and King County initially entered into an agreement providing for use of SCWSD facilities, with capacity reserved by King County for conveyance of Black Diamond wastewater flow, paid for by King County, in 2006; that agreement was renewed for three-year terms in 2010, 2013 and 2016. The parties are now seeking a revised agreement, which Proposed Ordinance 2018-0555 would authorize. Key elements of that agreement are as follows:

* The agreement identifies three classes of capital assets subject to the agreement:
	+ Class E—those currently existing (two lift stations currently in service)
	+ Class 10—those placed into service between January 1, 2018 and January 1, 2028
	+ Class 25—those placed into service between January 1, 2028 and January 1, 2053. Anticipated projects in each class are identified.
* The District is to construct Class 10 and Class 25 assets on a schedule to maintain capacity for both District and County regional wastewater flows. The District and County must agree on need, schedule, scope, design, budget and cost allocation.
* The County will have capacity rights in each class of assets referenced above, for conveyance of Black Diamond wastewater.
* The District is to maintain the named assets in good working order.
* The County is to pay $4.55 per Equivalent Residential Unit for capacity reservation for Class E assets. The parties will perform flow monitoring of the county’s wastewater flow beginning within six months of the execution of the agreement, through the term of the agreement.
* The District will submit an annual report, including flow monitoring data, current and forecast flow comparison, asset management activities, and a summary of expenditures.
* The District is responsible for the design and construction of Class 10 or Class 25 assets; the District is to design for capacity for Black Diamond’s projected peak flows. Facility plans, drawings and specifications will be submitted to the County; the District is not obligated to make County-recommended changes, but the District is subject to damages for a facility that does not provide sufficient capacity for the Black Diamond flow.
* The County will reimburse the District for capital costs for each asset class, based on a rate for each Black Diamond sewer customer served by the District’s service in wheeling Black Diamond flow to the County’s system. County’s projected share of costs are:
	+ Class E Assets: $8,612,034
	+ Class 10 Assets: $4,300,000
	+ Class 25 Assets: $13,000,000
* The cost share calculation methodology is detailed in the agreement.
* Provisions for indemnification, insurance, breach and liquidated damages, termination, disputes, modifications, and notice are provided for.

**AMENDMENT**

In reviewing the transmitted legislation, counsel for the King County Council identified areas that required clarification. Working together with the PAO’s office and representation from WTD and SCWSD, the parties developed revisions to the transmitted interagency agreement, which have been incorporated into the new agreement form attached as Attachment A to Amendment 1 to the proposed ordinance. SCWSD has agreed to this new agreement. Key elements in the new agreement are as follows:

* Language is revised to clarify that the County will reimburse the SCWSD only for those costs of constructing or upgrading District facilities that are associated with conveyance of Black Diamond wastewater flows.
* The effective date and termination date provisions are clarified.
* A new provision is added requiring that before design documents for new facilities are submitted for the County's review and comment SCWSD will confer with the County and the County will confirm in writing that the estimated capacity to be set aside for the County needs in facilities designed for 10-year or 25-year time frames is acceptable to the County. Internal references are updated accordingly.
* Introductory language is added to a section that describes the compensation to be provided by the County for use of SCWSD facilities for the conveyance of Black Diamond flows. The introductory language confirms agreement on the rate calculation formula determining the compensation amount, and provides the rate per Equivalent Residential Unit as of the date of agreement execution. The language specifies that these are “wheeling” costs that are associated with facility operation and maintenance and facility depreciation.
* An example is added to demonstrate the calculation of the County’s share of operations, maintenance and depreciation costs for 2017.
* Language is added indicating the estimated flow volume attributable to Black Diamond flow to be accounted for in SCWSD existing facilities and facilities designed for 10-year and 25-year time frames, is estimated at 6,222 Equivalent Residential Units (“ERU”) (this term is used interchangeably with the term “Residential Customer Equivalents”) at the time of execution of the agreement.
* An additional example is added to demonstrate the County’s capital cost share if the flow volume attributable to Black Diamond flow to be accounted for in SCWSD facilities turns out to be less than 6,222 ERU.
* Language is revised to confirm that the County’s contribution obligation will be determined by the number of RCE’s of capacity the County needs, and that the County is not obligated to pay for construction costs of any unneeded capacity.

An amendment has been prepared to delete the existing agreement in Attachment A, and replace it with the Revised Attachment A.

**ATTACHMENTS**

1. Proposed Ordinance 2018-0555
	1. Attachment A: Interagency Agreement Between Soos Creek Water and Sewer District and King County for the Joint Use, Construction and Maintenance of District Improvements
2. Amendment 1
	1. Attachment A: Interagency Agreement Revised February 7, 2019
3. Transmittal Letter dated November 5, 2018
4. Fiscal Note

**INVITED:**

1. Bruce Kessler, Deputy Director, Wastewater Treatment Division
2. Sharman Herrin, Government Relations Administrator, Wastewater Treatment Division
1. City of Black Diamond Comprehensive Sewer System Plan 2012 pp25 [↑](#footnote-ref-1)
2. King County Conveyance System Improvement Project Mill Creek/Green River Subregional Planning Area Task 260 Planning Area Summary Report HDR in association with Herrera Environmental Consultants, Inc. August 6, 2001 p 22, p25, p26. [↑](#footnote-ref-2)
3. “Mill Creek/Green River Subregional Planning Area Final Task 250 Supplemental Report, Working Alternative 3A Soos Planning Zone May 2002 [↑](#footnote-ref-3)
4. Soos Creek Water & Sewer District Sewer Comprehensive Plan 2013 Roth Hill p2-15 [↑](#footnote-ref-4)