

the MWPAAC REPORT

Metropolitan Water Pollution Abatement Advisory Committee  MEMBER PACKET

November 2007

MEMBERS:

Alderwood Water and Wastewater District
City of Algona
City of Auburn
City of Bellevue
City of Black Diamond
City of Bothell
City of Brier
City of Carnation
Cedar River Water and Sewer District
Coal Creek Utility District
Cross Valley Water District
Highlands Sewer District
City of Issaquah
City of Kent
City of Kirkland
City of Lake Forest Park
Lakehaven Utility District
City of Mercer Island
Midway Sewer District
Northeast Sammamish Sewer District
Northshore Utility District
Olympic View Water & Sewer District
City of Pacific
City of Redmond
City of Renton
Ronald Wastewater District
Sammamish Plateau Water and Sewer District
City of Seattle
Skyway Water and Sewer District
Soos Creek Water & Sewer District
Southwest Suburban Sewer District
City of Tukwila
Val Vue Sewer District
Vashon Sewer District
Woodinville Water District

NOTICE OF MEETING

The MWPAAC Meeting is scheduled for Wednesday, November 7, 2007, in Building H, Room 103 at Renton Technical College located at 3005 NE 4th Street, Renton, Washington. Renton Technical College is located near I-405. Take Exit 4 and the campus is located between NE 3rd Street and NE 4th Street at Monroe Avenue NE. The meeting is from 10:30 a.m. – 1:00 p.m.

All MWPAAC members are encouraged to attend the meeting. Lunch will be served promptly at 11:30 a.m. Luncheon is Baked Cod with Pecan Crust and the alternative dish is Puttanesca Pasta. There will be no cost for representatives, alternates or guests. Please RSVP to Valerie Garza at 206-263-6070 or valerie.garza@kingcounty.gov by 11/05/07.

AGENDA FOR NOVEMBER 7, 2007

10:30 AM – 1:00 PM MWPAAC Meeting

1. Chair's Report Dave Christensen
MWPAAC Chair
2. WTD Director's Report Christie True
WTD Division Director
3. King County Charter Review and Regional Water Quality Committee Bob Hirsch
WTD Staff
4. Water Quality Monitoring Report for 2006 Deb Lester
WLRD Staff
5. Subcommittee Reports by Subcommittee Chairs

Table of Contents

Page	Item
1	Agenda
2-6	October's Meeting Minutes
6	Subcommittee Reports
7	November's Event Calendar

**Members, Alternatives
& Guests Present:**

Pat Brodin
Walt Canter
Mark Cassell
Don Davidson
Roger Eberhart
Bob Elwell
Neil Jensen
Larry Jones
Wes Jorgenson
Vicky Henderson
Andrew Lee
Erin Leonhart
Arne Lind
Sheldon Lynne
Steve Moye
Joyce Nichols
Steve Ohlenkamp
Randy Reece
Trish Rhay
Ron Sheadel
Mary Shustov
Lorraine Snyder
Karen Steeb
Laura Szentes
Scott Thomasson
Art Wadekamper
Margaret Wiggins
Fanny Yee

King County Staff:

Tim Aratani
Dennis Barnes
Bob Hirsch
Lorraine Patterson
Debra Ross
Laura Wharton

OCTOBER MEETING MINUTES

Chair's Report – Art Wadekamper

Dave Christensen was out ill. The meeting was called to order, introductions were made and approval of the September 5, 2007, meeting minutes were tabled till next month.

WTD Director's Report – Lorraine Patterson

Lorraine updated the committee on the County's work with the Cruise Ship Industry and the Department of Ecology (DOE) on what to do with the cruise ship wastewater solids. The local media incorrectly reported that the County was building a \$1M pipeline; instead, the County is looking at trucking the solids from the cruise ship port to KC South Treatment Plant (STP) and researching other alternatives. The County Council has directed WTD to continue working with DOE. The industry can only accommodate 70K of solids within a 7-day period and disposing of their solids at STP allows them to have longer cruises and avoid the need to dump wastewater in offshore waters. Lorraine mentioned that the County is in mediation with the Lake Forest Park Water District on their mitigation agreement. Lastly, the Port of Seattle is interested in beginning dredging at Terminal 30 and under the Sediment Management Program, the County has agreed to cover the cost, an agreement is currently being worked out with the Port.

Question: Who's doing the dredging? **Answer:** The Port of Seattle.

Question: When you say, we're working with it, is that King County?

Answer: We are not doing the work; we are coming up with agreement that we will cover a portion of cost because of its part of our sediment management program.

Question: On the cruise ship solids, what part of the budget are we talking about --- is that part of the budget before and does it come out of the rate structure for payments?

Answer: At this point we are devoting staff time to work with DOE to take a look at what kind of strategies are out there. We are exploring it as an item. It's not a part of the budget; we have a regular planning budget that is designed to take into some account these incidentals.

Question: Do you have a budget amount? **Answer:** There's been no capital commitment other probably 20 hours of staff time to date and maybe another 20 hours in 6 months.

Question: How much slack do you have in your budget? **Answer:** We have a planning budget. There are things that come up often. Requests come in for studies or information, probably, 20% of the planning budget is devoted to incidentals when we have requests.

Comment: I think my concern and may be Walt's concern that this may ultimately end up on the ratepayers' back. I think these concerns are real because this has happened before.

Answer: Clarification --- if anything transpires in term of an agreement with the port or cruise industry considers any of this. They would pay for that. At this point, it's a total of 30 hours of staff time and any septage that actually came from the cruise ship would be paid like a regular septage policy. The reports in the paper about the \$M pipeline are not true.

Continued **Question:** Will the cruise ships take on additional sludge in the proposal?
from Pg. 2 **Answer:** What they are looking at is whether it's cost-efficient for all parties.

Investment Pool Update – Dennis Barnes

Investments in the King County Pool total \$4.1B with 60% of this amount owned by sewer district, hospitals, school district and 40% owned by various King County departments. It is rated AAA by Standard & Poor's, the highest rating an investment pool may have. The 5-year average return has been .083% higher than the Washington State Local Government Investment Pool. Amounts invested in commercial paper represent 24% overall and the investment pool follows Washington State Investment Board policy for purchasing commercial paper. In August, two commercial paper products were downgraded. Mainsail was downgraded to B which is not considered investment grade. As a result, the King County Executive Finance Committee pulled Mainsail out of the pool to protect the AAA rating of the investment pool. The risk of potential loss stemming from Mainsail shifted to the 40% of the pool owned by King County departments, under the condition no other commercial paper products are downgraded to less than investment grade. The potential loss was estimated at anywhere from \$0 to \$8M. Assuming a full loss of \$8M, the cost to WTD would be ~\$1.5M based on WTD's portion of King County department invested funds. For reference, the return yield has been 5%, a \$1.5M reduction, would mean a 4.25% actual yield with a assumed 4.5% return for 2007. In September, we had some good news; Barclay is looking to make their senior creditors whole. If any other investments were to be downgraded to below investment grade than Mainsail would be moved back into the pool where it becomes a potential liability to all investors. Currently, the trustees are reviewing the Barclay restructuring proposal. The committee also made a decision not to purchase any more paper. It represented 24% at the end of August. Now it's down to 16%, and by October 19 it should drop to \$269M of the overall portfolio, or 7%. The Rhinebridge commercial paper investment was downgraded by Fitch from F1 to F3. The investment pool uses Standard & Poor's as the primary rating and they have not changed their rating. At this point no losses have occurred and there is no exposure to non-King County departments.

Question: Who manages the investment pool is it King County? **Answer:** King County Treasury Function

Question: It appears as if these company's that are issuing commercial paper have hit bottom and are now recovering? Is that correct? **Answer:** We are optimistic.

Question: Is Barclay is still waiting for approval to make whole? When do you expect to hear back from them? **Answer:** The maturity date of the Mainsail commercial paper is October 7. We expect to hear soon the status of the Barclay proposal to the trustee for Mainsail.

Question: When you say that took Mainsail out of the pool, my impression was that it was King County's pool? Are there other investors? So those districts are outside of the county?

Answer: Participants in the King County Investment Pool includes all King County departments and various sewer & water districts, school districts, fire districts, and other districts in the borders of King County. Of the \$4.1B in the pool, 40% is money from King County departments and 60% is outside investors. King County Treasury functions normally invest all funds in the pool for all participants, but can also invest sums separate from the pool. For example prior to 2003, all funds in Wastewater Treatment had to be invested outside the King County Investment Pool due to bond restriction. King County Treasury will remove the Mainsail investment from the pool and keep as a separate invest allocated to only King County Departments.

Question: I'm so unfamiliar with this term, commercial paper product? Is the product 30-60 days? What is the age of the product? Does that lower the risk?

Continued
from Pg. 3

Answer: Commercial paper is an unsecured short-term promissory notes issued primarily by corporations. The normally range in length from 1 day to 270 day. The King County Investment Pool is limited in purchasing investments from 1 day to 180 days. Normally the shorter the length of the investment, the lower the risk.

Question: Why did KC unload the 40% and not the 60%?

Answer: The Mainsail investment was removed from the King County Investment Pool to protect the Standard and Poor's AAA rating for the overall pool.

RWSP 2006 Comprehensive Review and Annual Report – Debra Ross

The Regional Wastewater Services Plan (RWSP) 2006 Comprehensive Review and Annual Report covers 13 sets of policies and outlines a number of important projects, programs, and policies for King County to implement through 2030 to continue to protect health and water quality and ensure efficient wastewater capacity to meet future growth needs. The King County Council adopted the RWSP in 1999 and in 2006 adopted specific reporting policies that call for regular reviews and reports associated with implementing RWSP. Each chapter discusses policy implementation highlights in 2004 to 2006. Some chapters, in accordance with policy guidelines, provide 2006 RWSP Annual Report information. Projects and programs continue to be implemented in accordance with RWSP policies. The 13 sets of policies are as follows: Treatment Plant, Conveyance, Infiltration and Inflow, Combined Sewer Overflow Control, Biosolids, Water Reuse, Wastewater Services Planning, Water Quality Protection, Wastewater Planning, Environmental Mitigation, Public Involvement, Financial, and Reporting. The complete report is available at <http://dnr.metrokc.gov/WTD/rwsp/documents/06CompReviewAR/index.htm>.

Question: Could you explain why the Executive is recommending that the next RWSP comprehensive review be submitted in 2012; why won't it be submitted every year?

Answer: The RWSP reporting policies call for the executive to provide a comprehensive review of the RWSP every three to five years. The executive is recommending that the next review be submitted in September 2012 to cover RWSP implementation from 2007 through 2011. Two key milestones are expected to be achieved in 2010—completion of Brightwater construction and the combined sewer overflow control program review. Important information associated with Brightwater operations will be gathered in 2011; WTD would then be able to include this information in the 2007–2011 comprehensive review. It is also possible that population and employment growth forecasts based on the Puget Sound Regional Council's analysis of the 2010 census would be available in 2011. If so, WTD staff might have time to conduct a preliminary analysis on the updated forecasts and their effects, if any, on RWSP planning assumptions and facility needs; this information would be included in the 2007-2011 review. RWSP annual reports would continue to be provided for 2007, 2008, 2009, and 2010 – and you would continue to be updated on the progress of RWSP implementation. The 2011 annual report elements would be included with the RWSP 2011 Comprehensive Review and Annual Report. In addition, the reporting policies call for the RWQC and King County Council to establish the next due date of the RWSP comprehensive review upon their review of this report.

Question: Do you have to pay to get rid of the biosolids? Do you see a long-range need for them? Is there more acceptance of biosolids at this point? Are we recovering the costs for transportation?

Answer: The RWSP policies direct us to beneficially reuse wastewater solids. King County has been recycling its biosolids as a fertilizer and soil amendment since the mid-1970s. We do not achieve full cost recovery for our biosolids, and we incur expenses in transporting biosolids for agricultural application. However, by recycling biosolids we are also avoiding shipping and landfill disposal costs. We do see a long term need and acceptance of biosolids. The organic matter in biosolids improves the characteristics of soils and crops benefit from the use of biosolids. King County's biosolids are a highly desirable commodity for many eastern Washington farmers.

Continued WTD staff invited MWPAAC to consider taking a tour of the sites where the county's biosolids are used.
from Pg. 4

Question: A MWPAAC member expressed concern about the costs associated with refinancing the 40 year bond and asked for more information on this topic. (This topic will be addressed in future finance committee meetings.)

Question: In regards to the RWSP cost estimates, there was a question about the Brightwater cost estimate shown on the table in the presentation.

Answer: WTD staff explained how the costs on the RWSP cost estimate table are presented — expenditures that have occurred through 2006 are included at their original cost and future expenditures, planned for 2007 to 2030, have been adjusted for inflation to a base year of 2006, including Brightwater. The Brightwater cost is based on the January 2007 cost trend estimate of \$1.767B, which was presented in nominal dollars.

Question: Is this a final report issued by the Executive or a draft report?

Answer: This is a final report – the policies call for the executive to submit a comprehensive review, which is then to be reviewed by the RWQC. The executive is not proposing any amendments to the RWSP policies with this report, however, as MWPAAC knows, the executive will be transmitting amendments to the RWSP conveyance policies based on MWPAAC's recommendations during the process to update the CSI program. In addition, in accordance with MWPAAC's recommendations, there will be no policy amendments to the I/I policies until after the completion of the I/I initial projects.

Question: There were several questions about what MWPAAC will do with this report and the difference between the RWSP annual report and comprehensive reviews.

Answer: The RWQC will be reviewing this comprehensive review – if there are areas that MWPAAC would like additional information on, WTD staff is available to provide additional briefings on specific topics to the committee or individual agencies.

A MWPAAC representative suggested that the report will provide MWPAAC the opportunity to ask further questions as well as determine what issues they would like to be involved with in the future. For example, the topic of updating the CSO hydraulic model was raised – MWPAAC might want to be informed and more involved in learning about the kinds of information that will be gathered through this effort and how this information will be used to update the CSO cost estimates.

Question: Concern was expressed about the biosolids being used on farmland and the affects of endocrine disrupting chemicals (EDCs) on the food chain.

Answer: WTD staff explained that the county's biosolids have been safely used for over 30 years; the issue of EDCs is an issue of national interest and research and studies are under way to understand more about EDCs. Additional presentations for MWPAAC on EDCs and on the safety of the county's biosolids can be arranged if desired. In addition, information about EDCs and what the county is doing regarding the issue of EDCs is available on the Web at <http://dnr.metrokc.gov/wtd/community/edc/index.htm>

Wastewater Program Governance 1958-2007 – Bob Hirsch

The complete presentation is available on the Web at <http://dnr.metrokc.gov/WTD/mwpaac/archive.htm>

Question: Was Clark serving as a City Council member?

Answer: Sally Clark is a Seattle City councilmember who is one of two Seattle reps on the RWQC.

Continued
from Pg. 5

Question: Is that written into county legislation or charter?

Answer: There is a combination of what charter – governs some of the timing issues.

Question: A supermajority is required? **Answer:** RWQC is not an advisory committee; it is part of King County's legislative structure. It take a supermajority of the county council to reject a motion or ordinance passed by the RWQC.

Question: I have never seen a solid set of procedures for RWQC.

Answer: They exist in county ordinance that establishes that the County Council must respond to RWQC recommendations within a certain time frame.

Comment: When the Council went from 13 to 9 it became that you had the majority of County Council on RWQC. Before you had 6 out of 13, which is almost a supermajority. The regional committees have been gutted. If they wanted to exercise that out.

Comment: When the merger took place that has significantly shifted to where the population is in the suburban cities and not in unincorporated areas or Seattle. When it comes to governance on RWQC. If they are there is the local agency representing the unincorporated?

Answer: The City of Seattle represents 42% percent and suburban cities 32%. Snohomish County represents 5% but they have no representation.

Comment: It was originally based on a population balance.

Legislation can only be introduced by a KC Council member.

Comment: All the rates and capital budget is not handled by RWQC – so I was kind of like RWQC doesn't control the funding for what we are interested in.

Comment: Suburban cities were on RWQC, the County Council represented the rural area. The KC council has not taken a vote to support the rural areas in years.

Subcommittee Reports by Subcommittee Chair

E&P Subcommittee Report – Scott Thomasson

Scott updated the committee on it's recent tour of the Carnation Treatment Plant. He also announced that the committee would be reviewing the economics portion of the Reclaimed Water Feasibility Study on October 24.

Contract subcommittee - Ron Speer

Please contact Ron Speer, Chair, for additional information on the negotiations.