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DIVISION II

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STATE OF WASHINGTON  
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IN THE COURT OF APPEALS, DIVISION II  
OF THE STATE OF WASHINGTON

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CITY OF BONNEY LAKE, a Washington municipal corporation,

*Appellant,*

*v.*

PALERMO AT LAKELAND, LLC, a Washington limited liability company,

*Respondent.*

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APPELLANT'S OPENING BRIEF

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ORIGINAL

## TABLE OF AUTHORITIES

### Cases

<i>Arborwood Idaho, L.L.C. v. City of Kennewick</i> , 151 Wn.2d 359, 89 P.3d 217 (2004)	15
<i>Boe v. City of Seattle</i> , 66 Wn.2d 152, 410 P.2d 648 (1965)	16
<i>Covell v. Seattle</i> , 127 Wn.2d 874, 905 P.2d 324 (1995)	34
<i>Duckworth v. City of Bonney Lake</i> , 91 Wn.2d 19, 586 P.2d 860	16
<i>Hillis Homes, Inc. v. Public Utility District No. 1 of Snohomish County</i> , 105 Wn.2d 288, 714 P.2d 1163 (1986)	passim
<i>In re Heuston</i> , 57 Wash. 533, 107 P. 832 (1910) ( <i>per curiam</i> )	32
<i>Irvin Water District No. 6 v. Jackson Partnership L.L.C.</i> , 109 Wn. App 113, <i>review denied</i> , 34 P.3d 840 (2001)	passim
<i>Landmark Development v. City of Roy</i> , 138 Wn.2d 561, 980 P.2d 1234 (1999)	2, 14, 19, 20
<i>Marriage of McKean</i> , 110 Wn. App. 191, 38 P.3d 1053 (2002)	32
<i>Pierce County v. State</i> , 150 Wn.2d 422, 78 P.3d 640 (2006)	34
<i>Prisk v. City of Poulsbo</i> , 46 Wn. App. 793, 732 P.2d 1013	16
<i>Schlener v. Allstate Ins. Co.</i> , 121 Wn. App. 384, 88 P.3d 993 (2004)	14
<i>Swartout v. Spokane</i> , 21 Wn. App. 665, 586 P.2d 135 (1978), <i>review denied</i> , 91 Wn.2d 1023 (1979)	34
<i>Teter v. Clark County</i> , 104 Wn.2d 227, 704 P.2d 1171 (1985)	passim
<i>Tradewell Group, Inc. v. Mavis</i> , 71 Wn. App. 120, 857 P.2d 1053 (1993)	14

### Statutes

RCW 35.92.025	passim
RCW 35A	5
RCW 36.70A.130(2)(a)	26
RCW 57.08.005	18, 19, 20, 26
RCW 57.08.005(10)	18, 19
WAC 246-290-100	18
WAC 246-290-100(4)	17
WAC 246-290-100(4)(b)(iii), (j)(iii)	18

### Other Authorities

BLMC 1.08.010	5
BLMC 13.04.070	5, 29, 32

TABLE OF CONTENTS

I. INTRODUCTION	1
II. ASSIGNMENTS OF ERROR	3
III. ISSUES PERTAINING TO ASSIGNMENTS OF ERROR	3
IV. STATEMENT OF THE CASE	5
V. ARGUMENT	13
A. Standard of Review .....	14
B. The trial court failed to pay due deference to the City’s legislative prerogative to set an appropriate SDC .....	14
C. The trial court erred in concluding that the City was prohibited from basing its SDC on a 20-year Capital Improvement Plan .....	17
D. The trial court erred in ignoring an alternative analysis based on a six-year CIP that also supported the City’s SDC .....	21
E. The City’s original basis for its SDC was neither arbitrary nor capricious and should have been upheld .....	24
F. The City’s method of applying its SDC to multi-family development is reasonable and within the City’s discretion .....	29
G. The trial court erred in adjudicating the rights of parties not before the court .....	32
H. Even if Palermo prevails, it is not entitled to attorney fees .....	33
VI. CONCLUSION	34
VII. APPENDIX TABLE OF CONTENTS	36

## I. INTRODUCTION

This case presents a clash between a community struggling to fund a rapidly growing water system, and a large developer that does not want to pay the fees established for connecting to that system. Like other municipal water utilities, the City of Bonney Lake (“City”), charges new customers a one-time fee for connecting to its water system. The purpose of this fee (commonly referred to as a “system development charge” or “SDC”)<sup>1</sup> is to recover the investment current ratepayers have made in the system, and to fund future projects needed to keep the water system running. Accordingly, this fee is typically calculated by determining the total cost of building the system (including both current system cost and the cost of future projects planned within a particular timeframe), and then dividing that cost by the number of typical single-family homes the system will serve. Other classes of customers (non-residential and multi-family) are charged based on how much water they typically need relative to a single-family home. Water systems—particularly those run by cities—have broad discretion in establishing such fees as they deem reasonable and equitable.

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<sup>1</sup>Industry literature, case law, and the witnesses in this case have used a variety of other terms for this type of fee, including but not limited to, “connection fee,” “general facilities charge (GFC),” and “capital facilities charge (CFC).” See, e.g., RP 207; RP 542. See also, e.g., *Hillis Homes, Inc. v. Public Utility District No. 1*, 105 Wn.2d 288, 293, 714 P.2d 1163 (1986) (“GFC”); *Irvin Water District No. 6 v. Jackson Partnership L.L.C.*, 109 Wn. App 113, 128-29, 34 P.3d 840 (2001) (“connection fee”). All of these terms are generally synonymous. The term “SDC” was used most consistently throughout this litigation and will therefore be used in this brief as well.

In 2004, the City updated its SDCs based on a detailed analysis conducted by its consulting engineer. After Palermo challenged the City's SDCs, the City asked a second expert who specializes in utility financing to review its SDCs and the manner in which they are assessed to multi-family customers. The second expert issued a report setting forth a range of reasonable fees and concluding that the current charge was within that range. He also suggested several approaches for assessing the SDC to multi-family connections, concluding that the City's current per-unit approach was reasonable. Based on these recommendations, the City Council formally adopted the second expert's analysis and ratified its current SDCs.

The trial court overturned these decisions by the City Council and instead chose a lower fee from the City's expert's report based on the court's view that the expert's use of a 20-year planning horizon was unreasonable. In doing so, the trial court failed to follow the Washington Supreme Court's holding in *Landmark Development v. City of Roy*, 138 Wn.2d 561, 980 P.2d 1234 (1999), in which the court clarified that statutory restrictions applicable to water districts do not apply to fees set by the legislative body of a city. The trial court also erred in overturning the City's established method for assessing SDCs to multi-family homes. Finally, although this case was not filed as a class action, the trial court improperly ordered refunds for other potential plaintiffs and awarded attorney fees to Palermo out of

those refunds. Accordingly, the trial court's decision should be reversed and the City's SDCs upheld as a legitimate exercise of the City's discretion to set reasonable fees for connecting to its water system.

## II. ASSIGNMENTS OF ERROR

1. The trial court erred in invalidating the City's "base" SDC of \$6,500 per Equivalent Residential Unit ("ERU"). (Findings of fact #28, 29, 44. Conclusions of Law No. 2, 4, 7, 8, 10, 12.)

2. The trial court erred when it invalidated the City's method of applying its SDC to multi-family development. (Conclusions of law #13, 14, 15, 16).

3. The trial court erred in ordering relief for parties not before the court. (Conclusion of Law No. 17 and Order).

4. The trial court erred in awarding attorney fees to Palermo. (Conclusion of Law No. 17.)

## III. ISSUES PERTAINING TO ASSIGNMENTS OF ERROR

1. In order to overturn a fee set by ordinance, a court must find the fee to be "arbitrary and capricious," the result of "willful and unreasoning" governmental action. Did the trial court err when it instead adopted a more relaxed standard of review and overturned the City's SDC without finding arbitrary or capricious governmental action?

2. Did the City act within its broad legislative discretion in updating its SDC to \$6,500 per ERU?
  - a. Did the City act within its discretion when it updated its SDC based on the detailed analysis and recommendation of its consulting engineer?
  - b. Did the City act within its discretion in ratifying its current SDC based on the recommendation of a highly respected utility financing consultant who reviewed and supported the City's current fee?
    - i. Absent any statutory restriction to the contrary, did the City have the discretion to adopt the recommendation of the financial consultant to base its SDC on a 20-year CIP?
    - ii. Even assuming that use of a 20-year CIP is impermissible, did the trial court err by choosing an alternative analysis that was based on a six-year CIP from the City's expert's report and imposing that analysis on the City, while ignoring another alternative analysis based on a six-year CIP that supported the City's current fee?
3. Has the City acted within its broad discretion in charging multi-family units at the single-family rate for the first unit and discounting each additional unit by 20%?
4. Did the trial court err in adjudicating the rights of parties not before the court?

5. Where the plaintiff sued seeking a refund of SDC payments only on its own behalf, did the trial court err in awarding attorney fees to be paid out of the “common fund” of additional refunds supposedly created by the plaintiff?

#### IV. STATEMENT OF THE CASE

Bonney Lake is a “Code City” incorporated under Title 35A RCW. *See* Bonney Lake Municipal Code (BLMC) §1.08.010. Bonney Lake also maintains a municipal water system that serves customers both inside the City and in surrounding areas. Clerk’s Papers (CP) at 135.

Palermo is a large multi-family development being constructed in the Lakeland Hills area, which is inside the City’s water service area. CP 135. Palermo, as part of the enormous Lakeland project, is building twenty-three apartment buildings (a total of 362 units). *Id.*

The SDCs applicable to Palermo are codified in the following table (taken from Bonney Lake Municipal Code § 13.04.070):

ii. Multi-family and Mobile Home Parks.

Meter Size	First Unit	Each Additional Unit	Minimum Charge
5/8" - 3/4"	\$6,500	\$5,250	N/A
1"	\$6,500	\$5,250	N/A
1-1/4"	\$6,500	\$5,250	\$18,250
1-1/2"	\$6,500	\$5,250	\$25,000
2"	To be determined on each individual case, based on the projected amount of usage and peaking expected from the customer. These charges shall reflect the value of the water for individual residential customers.		
3"			
4"			
6"			

Bonney Lake's large, extraterritorial water service area has in recent years experienced explosive growth, necessitating considerable improvement and expansion. CP 137; RP 222, 241.<sup>2</sup> Necessary improvements to the water system include the replacement and upsizing of water mains, the purchase of land for water storage tanks and the construction of those tanks, and the installation of new water mains to supply additional hydraulic pressure and water capacity and to loop

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<sup>2</sup>The verbatim Report of Proceedings (RP) for this matter is contained in six volumes. Pages are numbered consecutively, so citations herein are to page numbers without reference to volume numbers.

the system around the east side of Lake Tapps. Exhibit 74, at 9-1 to 9-15 (Chapter 9); RP 242-244.

To augment its dwindling water supplies, in 2005 the City purchased two million gallons per day (2 MGD) of water from the City of Tacoma, and at the time of trial was studying the purchase of an additional 2 MGD (at least) from another supplier. Exhibit 74, at ES-3; RP 275.

The City of Bonney Lake's water system is an expensive and rapidly expanding system. Many factors contribute to its relatively high cost, including rising construction costs, having to purchase water from outside purveyors, a system that sprawls laterally, topographical challenges, and the need to cover risk. RP 228-29. Failing to collect adequate SDCs puts ratepayers—the current users of the system—at risk of having their rates raised to cover the cost of growth. Exhibit 33 at ES-3.

In 2004, the City retained a consulting firm, EES/HDR, to conduct a rate study, in which significant increases in the City's monthly water rates were recommended. Exhibit 33; CP 140. Although that firm did not conduct a specific SDC analysis or recommend a specific SDC increase, that study noted that one of the

important financial concepts used in this study is the proper use of system development charge (SDC) funds. These funds can be used to off-set growth related capital facilities, or used to off-set growth related debt

service. In this study, SDC revenue has been used in both ways. The financial concept that is important is that existing customers can be, for the most part, sheltered from the impacts of growth by the proper use of SDCs.

Exhibit 33 at ES-3. The rate study's financial analysis assumed an SDC increase to \$6,500 per ERU after 2004. Water Exhibit 2B to Exhibit 33.

With sound financial planning in mind, and following the guidance in the EES rate study, City staff recommended an increase in the SDC in 2004, around the same time that the City increased its monthly water rates. The City Council, acting on guidance from its consulting engineer, Geoff Dillard of RH2 Engineering, raised its SDC from \$4700 per equivalent residential unit (ERU) to \$6500/ERU. RP 190-91, 213. Mr. Dillard had been helping the City of Bonney Lake plan its water system—in both the infrastructure and financial aspects—for over a decade. RP 227. Mr. Dillard authored the City's previous Comprehensive Water System Plan in 1996, and in doing so had established past SDCs. CP 138; RP 208. Mr. Dillard's general approach to calculating the SDC was relatively simple in theory: he divided the total cost of the system (current and expected growth within a specific timeframe) by the total number of users of that system (including those expected to connect within the growth horizon chosen). RP 208. Therefore, Mr. Dillard calculated \$6500 by dividing the cost of the water system, present and future, by the total number of ERUs, present and future, as follows:

Water system value	Cost of improvements	
\$48,828,841	+ \$44,489,510	= \$6570

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**Total ERUs in 2009**

14,209

Exhibit 39; RP 208. Because adequate original cost records were not readily available, Dillard estimated current system cost by calculating the replacement cost of the system, then depreciating it based on its age. RP 212; 231-32. All three experts—including Palermo’s expert—agreed that this is a reasonable method of estimating system cost, although Palermo’s expert would have deducted the cost of system assets that had been contributed by developers. RP 231-32; 384-85; 426-27; 480-81; 486.

After RH2 calculated the base SDC, it was incorporated into an ordinance by Gary Leaf, the former Assistant Public Works Director. CP 143. The ordinance that enacted the current SDC is Ordinance 1192, which passed in June 2006. CP 145.

The ordinance itself took several tries to enact because mistakes were made in the predecessor ordinances (Nos. 1083, 1094, and 1100) in attempting to apply RH2’s \$6,500/ERU recommendation to multi-family connections. CP 135-136; RP 195-98. However, Palermo never paid any SDCs until the last of these predecessor ordinances (1100) was enacted, and when 1192 was passed, Palermo

was given a full refund of overcharges. CP 136-37. Thus, although Palermo went to great lengths to point out these mistakes at trial, these earlier ordinances are irrelevant to the dispute at issue—the reasonableness of the SDC Palermo was actually charged. RP 195-98.

After Palermo filed suit against the City, the City retained Edward Cebron of the Financial Consulting and Services Group (FCSG) to verify whether the \$6500/ERU base SDC, as well as the \$5250/multi-family unit SDC, were reasonable. See Exhibit 78 (Report of Ed Cebron re: Bonney Lake SDC Evaluation). Mr. Cebron is widely acknowledged, even by Palermo's expert, as the regional expert in the field of calculating and evaluating SDCs for water utilities. RP 376; 389; Exhibit 32 (Resume of Ed Cebron). Mr. Cebron calculated the SDC under six different models and concluded that both the \$6500/ERU and \$5250/multi-family unit fall within a reasonable range. Exhibit 78. The City Council subsequently reviewed Mr. Cebron's reports and adopted them by ordinance as an additional basis for their SDC. Exhibit 82 (City Ordinance No. 1220).

When Mr. Cebron began his review, historical records documenting the cost of the City's water system were still not available, so he used Mr. Dillard's engineering inventory of the current system to estimate historical cost. RP 469-70; 480-81. Palermo's expert agreed that this is also a generally accepted and

reasonable method of estimating current system cost in systems lacking adequate historical records. RP 301; 385-388. Using this indexing method to estimate original cost, Cebron testified that he originally arrived at an SDC range of \$7000 to \$9000. RP 482. Meanwhile, City staff was working on finding all available documentation of its historical system cost, and a list was eventually provided to Mr. Cebron of those assets for which the City was able to identify a historical record. Ex. 71; RP 254; 478-482. This list documented system assets of approximately \$41.5 million. Id. However, this list of assets was incomplete, with up to 41% of the system documented in the City's engineering inventory unrepresented by historical records. RP 255. Both Palermo's expert, Greg Hill, and Mr. Cebron testified that this is a common problem they encounter when dealing with municipal water systems. RP 301; 317-18; 384. Cebron testified that in this situation he would normally work with a client to use the Construction Cost Index estimation method to "fill in the blanks" for those assets not listed, which would have increased the recommended SDC significantly; however, Cebron was not asked to take that additional step in this case. RP 482. But even using the extremely conservative assumption that the City's historical records represented an accurate statement of current system cost, Cebron's calculated fee still supported the City's \$6,500 SDC. Id.

Trial was held on February 5-8, 2007 in the Pierce County Superior Court, before the Honorable Bryan Chushcoff. On May 18, 2007, Judge Chushcoff entered Findings of Facts, Conclusions of Law, and Judgment, in which he concluded that the City's SDC's were unreasonably high. CP 147-52. Judge Chushcoff ordered the City to amend its Municipal Code to reflect his view of an appropriate SDC, and to refund Palermo the difference. Id.

The bases for the trial court's decision were as follows: (1) the trial court concluded that Mr. Cebron's use of a 20-year growth horizon in determining the projects that would be needed was unreasonable, whereas the use of a six- or ten-year growth horizon was reasonable; (2) the trial court found it was unreasonable for the City to charge each multi-family dwelling unit 80% of the SDC for a single-family home, but found it was reasonable for the City to charge each multi-family dwelling unit up to 77% of the SDC for a single-family home; (3) the trial court concluded that it was unreasonable for the City to charge the same SDC to the first unit of a multi-family building even though the City then discounted each additional unit by 20%. The trial court chose another methodology in the City's expert's report, which was based on a six-year capital improvement plan, and ordered the City to impose an SDC not exceeding that amount. CP 149; 152. Finally, even though the case was not a class action, the Court ordered the City to issue refunds to everyone who had paid SDCs under the challenged ordinances,

after subtracting each customer's share of Palermo's attorney fees. CP 148-151.

The trial court denied Palermo's request for pre-judgment interest. CP 151.<sup>3</sup>

The City filed its Notice of Appeal on June 7, 2007, and Palermo cross-appealed on June 14, 2007. CP 154-55. After briefing by both parties, the judgment of the trial court was stayed by this Court pending appeal.

Additional facts are set forth below in conjunction with the issues to which they pertain.

## V. ARGUMENT

This Court should reverse the trial court and uphold the City's SDC ordinance, for three reasons. First, the trial court erroneously held that cities do not have the discretion to base their SDC on the standard 20-year planning period used by water utilities in Washington. Second, despite ruling that a six-year planning period was appropriate, the trial court failed to properly consider two other analyses that were based on a six-year planning period and which also supported the City's SDC. Third, the trial court improperly rejected the City's reasonable and established method of applying its SDC to multi-family

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<sup>3</sup>The trial court's written Conclusion of Law No. 16 is ambiguous on this point, but based on the court's oral ruling it clearly intended to deny Palermo's request for pre-judgment interest. The court adopted Palermo's "alternative" proposed conclusion with hand-written corrections, stating at the end that "Palermo shall not be entitled to prejudgment interest." The court and counsel for both parties apparently neglected to strike the first part of Palermo's proposed conclusion No. 16, which suggests that pre-judgment interest was awarded.

connections. This Court should hold that the City's SDC ordinance is reasonable and within the City's legislative discretion.

**A. Standard of Review**

This Court reviews a trial court's findings of fact to determine if they are supported by substantial evidence in the record, and reviews the trial court's conclusions of law to determine if the court's findings support them. *Landmark*, 138 Wn.2d 561, 573, 980 P.2d 1234 (1999). The issue of whether a city has the discretion to use a particular methodology within its statutory authority is a question of law, which is reviewed *de novo*. *Landmark*, 138 Wn.2d at 569. The issue of whether attorney fees are available in a given case is also a question of law, which is reviewed *de novo*. *Schlener v. Allstate Ins. Co.*, 121 Wn. App. 384, 388, 88 P.3d 993 (2004); *Tradewell Group, Inc. v. Mavis*, 71 Wn. App. 120, 126-27, 857 P.2d 1053 (1993).

**B. The trial court failed to pay due deference to the City's legislative prerogative to set an appropriate SDC**

The trial court erred in this case by adopting a "two-pronged" standard for reviewing the legislative decision of a city in setting SDCs. Under this new standard, a court may strike down a legislative decision of a city in setting a fee if (1) in the court's judgment, the charges imposed by the City's ordinances are not "reasonable," OR (2) "the City, in enacting the ordinance, 'acted arbitrarily.'" CP 147-48. Washington case law instead makes it clear that there is a single standard

for reviewing such decisions—whether the fee is so unreasonable that its enactment in to law may be deemed arbitrary and capricious government action. Although the City certainly believes its fee is reasonable, the trial court erred in applying a relaxed standard in reviewing the City’s SDCs.

It is well-established that a city has broad legislative discretion to set SDCs under RCW 35.92.025.<sup>4</sup> Such fees are presumed reasonable and will be overturned only upon a showing that they are the product of “willful and unreasoning action without consideration and regard for facts or circumstances.” *Teter v. Clark County*, 104 Wn.2d 227, 704 P.2d 1171 (1985). *See also Arborwood Idaho, L.L.C. v. City of Kennewick*, 151 Wn.2d 359, 370, 89 P.3d 217 (2004) (citing *Teter*, noting operation of sewer utility is governmental function). If any facts exist that support the City’s decision to adopt the SDC, this Court must uphold that decision, even if the City did not actually consider those facts. *Id.* at 238 (“A legislative determination will be sustained if the court can reasonably conceive of

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<sup>4</sup> RCW 35.92.025 provides as follows:

Cities and towns are authorized to charge property owners seeking to connect to the water or sewerage system of the city or town as a condition to granting the right to so connect, in addition to the cost of such connection, such reasonable connection charge as the legislative body of the city or town shall determine proper in order that such property owners shall bear their equitable share of the cost of such system. The equitable share may include interest charges applied from the date of construction of the water or sewer system until the connection, or for a period not to exceed ten years, at a rate commensurate with the rate of interest applicable to the city or town at the time of construction or major rehabilitation of the water or sewer system, or at the time of installation of the water or sewer lines to which the property owner is seeking to connect but not to exceed ten percent per year: PROVIDED, That the aggregate amount of interest shall not exceed the equitable

ANY state of facts to justify that determination.”)(emphasis in original). In *Duckworth v. City of Bonney Lake*, 91 Wn.2d 19, 27, 586 P.2d 860, the court explained the highly deferential standard applicable to City legislative enactments as follows:

If the court can reasonably conceive of a state of facts which would warrant the legislation, those facts will be presumed to exist. Further, it will be presumed that the legislation was passed with reference to those facts. These rules are more than mere rules of judicial convenience. They establish the demarcation between legislative and judicial functions. (Internal citations omitted) (emphasis added).

Thus, the trial court’s inquiry should not have been whether a better or more exact methodology could be devised, but whether the City’s legislative decision was so far outside the range of reasonable outcomes that its enactment into law must be considered an arbitrary act. *Teter*, 104 Wn.2d at 235, 238 (utility fees presumed valid, overturned only upon showing they are product of “willful and unreasoning action without consideration and regard for facts or circumstances”); *Boe v. City of Seattle*, 66 Wn.2d 152, 156, 410 P.2d 648 (1965) (burden is upon plaintiff “to show that the fee is not a reasonable fee.”); *Prisk v. City of Poulsbo*, 46 Wn. App. 793, 732 P.2d 1013 (declining to overturn Poulsbo’s SDCs, noting simply that the City acted “deliberately” and based its fee on a “comprehensive

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share of the cost of the system allocated to such property owners. Connection charges collected shall be considered revenue of such system.

analysis”). Further, in cases involving the reasonableness of SDCs, courts have repeatedly stressed that “only a practical basis for the rates is required, not mathematical precision.” *Irwin Water District No. 6 v. Jackson Partnership L.L.C.*, 109 Wn. App 113, 128-29, 34 P.3d 840 (2001), *review denied*, 147 Wn.2d 1003 (2002); *Hillis Homes, Inc. v. Public Utility District No. 1 of Snohomish County*, 105 Wn.2d 288, 301, 714 P.2d 1163 (1986); *Teter*, 104 Wn.2d at 238.

The relaxed standard adopted by the trial court appears to explain the trial court’s willingness in this case to overturn the City’s legislative decisions based on the court’s view of what those decisions should be. The court erred in failing to give due deference to the City’s policy and legislative choices regarding the bases and amounts of the City’s SDCs.

**C. The trial court erred in concluding that the City was prohibited from basing its SDC on a 20-year Capital Improvement Plan**

The trial court rejected the primary recommendation of the City’s utility financing expert, Mr. Cebren, because his analysis was based on a 20-year Capital Improvement Plan (“CIP”). The trial court instead adopted Mr. Cebren’s alternative analysis based on a six-year CIP. The court erred as a matter of law in ruling that cities may not base their SDCs on the normal and customary 20-year planning period for a water utility.

Cities with water systems are required by state law to develop a detailed plan “for a period of at least twenty years into the future[.]” WAC 246-290-100(4).

Twenty years is the *minimum* planning period for municipal-owned water systems. The plan developed must address a number of factors, including the number of new customers expected, the projects that will need to be built to support those customers, and a plan for collecting the revenue necessary to fund those projects. WAC 246-290-100(4)(b)(iii), (j)(iii). In addition to this twenty-year plan, WAC 246-290-100 also requires cities to have a six-year CIP. There is no requirement for a ten-year CIP, and as a result cities often do not have such an intermediate planning period in their water system plans. RP 338.

The statutory section governing SDCs for water districts is RCW 57.08.005(10).<sup>5</sup> This provision is much more specific than RCW 35.92.025 in terms of the methodology water districts must use in determining an appropriate SDC. For example, water districts are required to (1) subtract the cost of existing facilities that were donated or paid for by grants, (2) base their fees on projects in an adopted comprehensive plan, (3) use a methodology based on both the cost of

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<sup>5</sup>RCW 57.08.005(10) states, in relevant part:

For the purposes of calculating a connection charge, the board of commissioners shall determine the pro rata share of the cost of existing facilities and facilities planned for construction within the next ten years and contained in an adopted comprehensive plan and other costs borne by the district which are directly attributable to the improvements required by property owners seeking to connect to the system. The cost of existing facilities shall not include those portions of the system which have been donated or which have been paid for by grants. The connection charge may include interest charges applied from the date of construction of the system until the connection, or for a period not to exceed ten years, whichever is shorter, at a rate commensurate with the rate of interest applicable to the district at the time of construction or major rehabilitation of the system, or at the time of installation of the lines to which the property owner is seeking to connect.

the current system and the cost of future improvements, and (4) use a ten-year planning period in identifying those facilities to include. RCW 57.08.005(10).

In *Landmark Dev. v. City of Roy*, *supra*, the Supreme Court ruled that statutory restrictions applicable to water districts are not applicable to cities unless specifically set forth in RCW 35.92.025. In *Landmark*, the City of Roy had included in its system cost figure the cost of projects funded by grants. *Landmark*, 138 Wn.2d at 570. Water districts are specifically directed to subtract the cost of such projects under RCW 57.08.005(10). The court ruled that because the Legislature chose to impose no such restriction on cities, it is within a city's discretion to include such projects in calculating an SDC. *Landmark*, 138 Wn.2d at 570-71.

In this case, the trial court rejected Mr. Cebron's analysis as the basis for the City's SDC ordinance because Mr. Cebron recommended a fee based upon the 20-year Capital Improvement Plan (CIP) for the City's water system instead of a six- or ten-year plan as preferred by Palermo's expert. The court acknowledged, and Palermo conceded, that the use of a ten-year CIP would be reasonable. RP 338, 704. But absent express statutory limitation, and in the face of compelling expert opinion and industry literature supporting the use of a 20-year plan, the trial court clearly erred in substituting its judgment for that of the City's consultants, staff, and elected officials on this point. The trial court's decision effectively adopted a

requirement from RCW 57.08.005 and applied that requirement to cities—an approach that is contrary to the Supreme Court’s decision in *Landmark*. 138 Wn.2d at 570-71.

In fact, the evidence at trial established that the use of a 20-year model is standard in many areas of municipal financing. RP 165-166. The use of a 20-year planning horizon in calculating SDCs is also consistent with the recommendations of the American Water Works Association, which both Palermo’s expert and the City’s expert acknowledged as an authoritative source on setting SDCs. RP 389 (reading passage from AWWA manual into record). According to the AWWA manual on water rates and charges, use of a shorter planning period is problematic:

The SDC planning period is needed to project the growth and service requirements of the system. Though utilities have used various lengths of time, the planning period for determining SDCs should equal the normal planning period of the utility. Usually, this ranges from 10 to 20 years for distribution and treatment facilities planning, but may exceed 50 years for supply planning. Another criterion for determining a planning period is the financial cycle for long-term financing. For example, the normal financing term for long-term debt is useful in determining the duration of the SDC planning period. This is typically 10 to 30 years. The normal system financial planning period should be the minimum planning period for SDCs; analyzing a shorter period might limit the utility's view of its ability to repay debt on a system expansion projects that are to be funded from SDC revenues [sic].

RP 396 (emphasis added). For this reason, the use of a 20-year approach was supported not only by *Cebron*, but also by testimony by the City’s Public Works Director, Dan Grigsby, and former Assistant Public Works Director, Gary Leaf. RP

165-67 (Grigsby); 194 (Leaf); Exhibit 78 (Cebron). Moreover, to the extent that experts disagreed as to the *preferred* approach, the trial court should have left it to the City to determine which approach to adopt in setting its SDCs. See RP 338 (testimony of Palermo’s expert stating he “prefers” to use ten-year basis or six-year basis for cities).

The trial court substituted its own judgment for local and state lawmakers on this point and adopted a ten-year cap for cities that is not found in RCW 35.92.025 and is inconsistent with sound financial planning policy. This was error, and should be reversed.

**D. The trial court erred in ignoring an alternative analysis based on a six-year CIP that also supported the City’s SDC**

Even if the trial court were justified in setting a 10-year limit on the projects cities may use in calculating their SDCs, the trial court’s decision was nevertheless erroneous because it failed to even consider the fact that an alternative analysis conducted by Cebron reached the same result using only a six-year CIP. Ex. 78, p. 12-13. Cebron looked at three alternative approaches in determining an appropriate range of SDCs for the City—one that calculated current system cost based on depreciated replacement value, one that calculated current system cost based on available historical records, and one that ignored current system cost altogether and considered only growth-related improvements. Ex. 78. The third

methodology yielded an SDC of \$6513 when only the growth-related projects in the six-year CIP were considered. Ex. 78, p. 13.

This type of “growth only” or “proportionate share” methodology was specifically approved by the Washington Supreme Court in *Hillis Homes, Inc. v. Public Utility District No. 1 of Snohomish County*, 105 Wn.2d 288, 301, 714 P.2d 1163 (1986). In *Hillis Homes*, as in Mr. Cebron’s “Alternative 3” analysis, the SDC was calculated by assigning new customers their “proportionate share” of the cost of future growth-related improvements, then dividing that cost by the number of users the projects were expected to support. *Hillis Homes*, 105 Wn.2d at 293. Despite the lack of any explicit statutory authority for public utility districts to impose such a fee, the Washington Supreme Court held that the fee was appropriate and that the authority to impose it was implied in the authority to run a public water system. 105 Wn. 2d at 297.

In this case, the trial court apparently ignored this calculation completely and chose to limit the City to a single number on a single page of Mr. Cebron’s report.<sup>6</sup> None of the trial court’s findings or conclusions supported ignoring this aspect of Mr. Cebron’s report.

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<sup>6</sup>In choosing this number, the trial court also ignored testimony from Mr. Cebron that it was, in his opinion, artificially low for a number of reasons, including the fact that the growth projections for the six-year period were greater than the capacity provided by the City’s improvements and current system—in other words, the City was going to have to purchase more water soon regardless of the fact that the second purchase was not budgeted in the six-year CIP.

In fact, the evidence at trial indicated that a growth-only methodology will, more often than not, result in a lower fee than if the current system cost is also considered. See Exhibit 78, p. 12; RP 530-31. See also *Irwin Water District*, 109 Wn. App. at 131 (noting fee based on growth-only methodology “may well be lower than if the statute had been strictly followed.”) Accordingly, Cebron testified that he would not usually base his primary recommendation on this methodology, as it fails to consider the substantial amount of investment that current users have already made in the existing system. RP 530; Exhibit 78, p.12. But Cebron also testified that the “growth-only” approach is a generally accepted methodology, supported by the American Water Works Association’s manual on water rates and charges. RP 530-31.<sup>7</sup> Moreover, where, as here, the existing cost data for the water system is incomplete or problematic, this methodology is a valuable tool for systems that are incurring significant growth-related costs. Cities clearly have the discretion to use this methodology in calculating an SDC, and the trial court should not have completely ignored the fact that this alternative approach also supported the City’s fee.

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This was consistent with Dillard’s testimony that the City was currently investigating the purchase of yet another large block of water from another purveyor. Mr. Cebron testified that if he had based his primary recommendation on this calculation he likely would have revisited it and possibly would have adjusted it accordingly. RP 499-500.

<sup>7</sup>Palermo’s expert indicated he was not familiar with this methodology and would not prefer it, but could not say it would be unreasonable. RP 394-95.

**E. The City's original basis for its SDC was neither arbitrary nor capricious and should have been upheld**

The trial court's ruling also improperly disregarded the original analysis on which the City's 2004 SDC update was based—an analysis which was also based on a six-year CIP. This analysis was conducted by the City's consulting engineer, Geoff Dillard of RH2 Engineering. Although the City was justified in getting a “second opinion” from Mr. Cebron out of an abundance of caution, the evidence established that Mr. Dillard's recommendation was based on a thorough analysis of the City's system cost and financial needs, and the City reasonably relied on Mr. Dillard's analysis from the outset. On this basis alone, the City's SDC can and should be upheld.

The trial court's stated bases for rejecting Dillard's analysis were that it was “provisional, was not geared for adoption of SDC fee schedules, and included assumptions, particularly relating to water usage to be purchased from the City of Tacoma, that were not correct at the time Ordinances 1100, 1192, and 1220 were adopted.” CP 148-49 (Conclusion of Law No. 7). The trial court erred in rejecting Mr. Dillard's analysis on these bases.

The trial court's statement that Mr. Dillard's analysis was “provisional” and “not geared for adoption of SDC fee schedules” appears to be based on Palermo's argument that a city may not adopt an SDC without a full expert report as provided by Mr. Cebron in this case. See RP 330 (testimony of Palermo's expert that “we

always see a report”). But cities should not be required to hire expensive expert consultants in order to establish a “reasonable basis” for an SDC. Rather, in cases involving SDCs, courts have repeatedly stressed that “only a practical basis for the rates is required, not mathematical precision.” *Irwin Water District*, 109 Wn. App at 128-29; *Hillis Homes*, 105 Wn.2d at 301; *Teter*, 104 Wn.2d at 238.

Further, although the trial court’s factual findings focused on the fact that the final product containing Dillard’s recommendation was contained on “one page,” in fact the one-page summary Dillard provided to the City (Exhibit 39) was based upon linked data in voluminous engineering documents establishing the system cost and CIP. With regard to system cost, Mr. Dillard’s analysis was based on “a full inventory of every single pipe in the system.” RP 231; Exhibit 38. From reading the trial court’s findings and conclusions one would think Mr. Dillard’s analysis was developed on the back of a napkin. This is not the case. Rather, Dillard’s analysis was thorough and based on the best records and data available, and constituted a “reasonable basis” for the City’s fee.

The trial court’s ruling also appears to adopt Palermo’s argument, made at the trial court, that the City should have either waited for the final version of the Comprehensive Water System Plan to be completed before adopting an SDC, or paid a consultant to conduct another SDC analysis once the Plan was completed. See RP 309 (testimony of Palermo’s expert acknowledging Dillard’s basic

methodology was reasonable, but taking issue with City's failure to update its analysis later). Palermo's arguments in this regard also lack merit. First, to the extent Palermo argues that the SDC must be based on an adopted comprehensive plan, this argument lacks merit because it again would incorporate a requirement applicable to water districts under RCW 57.08.005 but not contained in RCW 35.92.025. The City, unlike a water district, had the discretion to update its SDC in 2004 when it raised its rates without updating its comprehensive plan.<sup>8</sup>

Further, a city is not required to engage experts to re-calculate SDCs every time there is a change in its planned projects. Requiring an update every time a CIP changes would create an impossible "moving target" for cities. Utilities are constantly updating their CIPs without necessarily drafting full updates to their comprehensive plans. RP 226 (testimony indicating the City updates its CIP several times per year). If utilities are required to conduct a new SDC analysis every time this data is updated, this will result in an unworkable system that results in fluctuations in the SDCs paid by new customers from one year to the next. Utilities necessarily base their SDCs on a "snapshot" of reasonable assumptions

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<sup>8</sup>This particular difference between the statutes governing cities and water districts makes sense in light of the fact that cities' water system plans are typically incorporated into the comprehensive plan required by the Growth Management Act, and therefore can only be amended once per year under RCW 36.70A.130(2)(a). Thus, any suggestion that a city can simply amend its Plan whenever it performs an SDC update ignores the additional restraints on such amendments that cities face. The alternative in this case—increasing rates for current customers in 2004 but waiting until 2006 to update SDCs—was neither required by statute nor consistent with prudent financial planning.

based on the best data at the time an analysis is conducted. Dillard's analysis was reasonable in this regard, and the City did not act arbitrarily in adopting it.

The trial court further erred in dismissing Mr. Dillard's analysis based on the fact that some of the assumed expenditures (particularly the amount of water purchased from Tacoma) later changed. The evidence at trial established—and Palermo never disputed—that the six-year project list contained in Dillard's analysis was based upon the best data available to Dillard at the time he conducted his analysis. In addition, Assistant Public Works Director Gary Leaf, who has over 20 years of experience in utility financing, testified that he reviewed the projects in the capital improvement list to ensure they were accurate and appropriate to be charged to an SDC. RP 190. Finally, the fact that the City purchased less water from Tacoma than it had originally planned did not change the fact that the City will need to make another large and expensive water purchase in the near future. Indeed, at the time of trial the City was continuing to seek other sources for a wholesale purchase of water that can be expected to cost the same or more than the water sold by Tacoma. RP 275.

Dillard also testified that he had performed a number of "sensitivity analyses" in order to ensure that the City's SDC is reasonable despite this change. RP 261-267. This type of analysis involves changing assumptions made in the

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calculation to determine how much of a deviation in the fee occurs. This reveals how “sensitive” the analysis would be to unforeseen changes. RP 261-62. Having conducted such an analysis for the City, Mr. Dillard testified that he found a range of SDCs from \$5500 to \$8000 per ERU. RP 264. In addition, both Dillard and Public Works Director Dan Grigsby testified that construction costs for some of the projects had been much higher than anticipated, meaning that some of the assumptions Dillard made erred on the low side. RP 169; 228-29; 259-263. Accordingly, Dillard testified that based on what he knows today, the SDC would not go down if he were to run the same analysis, and in fact would increase. RP 259-263.

In summary, Dillard was entitled to rely on reasonable assumptions that were valid at the time of his fee calculation, and the City was entitled to rely on such a recommendation in setting its SDCs. The fact that some assumptions have changed (in both directions) since the calculation occurred does not invalidate the recommendation. This Court should re-affirm cities’ ability to set SDCs based on a “reasonable basis” presented by qualified staff or consulting engineers. The City’s original reliance on Mr. Dillard’s analysis was within its discretion and was not arbitrary or capricious.

**F. The City's method of applying its SDC to multi-family development is reasonable and within the City's discretion**

The trial court also improperly second-guessed the City's legislative decisions regarding the appropriate way to apply its SDCs to multi-family development. The City charges the first unit of a multi-family the same SDC as a single-family home, but discounts the fee by about 20% for each additional unit. See BLMC 13.04.070. The trial court concluded that this structure was unreasonable. The Court ruled that the City could not charge each multi-family unit 80% of the single-family fee, but that it would have been reasonable to charge 77%. This again ignored the clear mandate from appellate courts to give due deference to legislative choices and focus on general reasonableness rather than mathematical precision.

In *Irwin Water District*, the utility had calculated a per-unit fee applicable only to structures with four or more units. The court held this was reasonable:

[T]he District applied the per-unit connection fee only to multi-unit structures. It required other buildings to obtain a meter for each unit. G&L's apartment building used only 5 meters for 120 units. And yet individual units in multi-unit structures use about the same amount of water as units in smaller structures. Multi-unit structures also have more burdensome fire flow requirements. And they often support pools and spas. This increased connection fee then served as an equalizer. The disparity between multi-unit structures and smaller structures is reasonable.

Moreover, the charges need not be tailored individually to the benefit received by each customer. "[O]nly a practical basis for the rates is required, not mathematical precision." Here, the District had a practical basis for imposing the per-unit connection fee to multi-unit structures.

(Emphasis added) (internal citations to *Hillis Homes* and *Teter* omitted). Thus, the court approved a per-unit SDC for multi-family buildings, as well as the consideration of increased fire flow burden in determining the appropriate fee for multi-family relative to single-family homes.

In this case, the City has charged a per-unit fee but has discounted each additional unit to 80% of the single-family rate. The trial court ruled that the City did not discount each additional multi-family unit enough. But as the *Irvin Water District* case pointed out, the water usage is roughly equal between some single- and multi-family dwelling units. Thus, a city would at least arguably be within its discretion to simply charge the same SDC for each multi-family dwelling unit as it charges for each single-family dwelling unit. See *Id.* (“[O]nly a practical basis for the rates is required, not mathematical precision.”). In fact, in *Irvin Water District*, the SDC approved by the Court of Appeals appears to have done just that. See *Irvin Water District*, 109 Wn. App. at 130 (noting that the water district “settled upon \$1,000 as the new connection fee”); *Id.* at 118 (noting fee schedule at issue imposed a charge of “\$1,000 per unit for multi-unit buildings.”).

Certainly, the expert testimony at trial supported some discount for multi-family units as the preferred and most equitable approach. But under *Irvin Water District*, the question of how much to discount each additional unit, if at all, is a

policy choice that falls squarely within the legislative prerogative of the City Council.

Further, the expert opinions of both Mr. Dillard and Mr. Cebron supported the City's decision to charge 80% of the single-family SDC based on the data contained in the current CWSP. Dillard testified that consumption data from 2003 showed multi-family units used 77% of the water used by multi-family units. RP 271. Dillard also testified he had had "multiple discussions" with City staff regarding this aspect of the Code and that he had told City staff he believed a factor of 80% was within a reasonable range. RP 272-73; RP198. Dillard also testified that the higher fire flow requirement for multi-family could support a higher factor, although he had not conducted an in-depth analysis to determine a more exact number. RP at 268. Mr. Cebron, on the other hand, did conduct such an analysis, and based on that analysis determined that a factor of 83% would be reasonable. Exhibit 72.

The trial court rejected increased fire flow burden as a basis for calculating a reasonable factor. But this was contrary to the decision in *Irvin Water District*, which specifically approved increased fire-flow burden as a relevant factor to be considered in determining a multi-family SDC.

In addition, once the "reasonable basis" is established for translating the base SDC to multi-family, a city should not be required to hire an expert consultant

to re-examine it every time it updates its base SDC. The evidence at trial established that the City's method of charging multi-family (100% of one ERU for first unit, 20% discount each additional) has been in the Code for years—at least since 2001. CP 143; Exhibit 36. See BLMC 13.04.070 (noting Ordinance 919 enacted in 2001). Palermo did not challenge this ordinance, and presented no evidence that the original basis for establishing this fee structure was erroneous.

Under these circumstances, the evidence at trial indicating multi-family units used 77% of the water of a single-family unit based on a recent single-year survey was not sufficient to undermine the reasonableness of the City's 80% SDC factor for multi-family. Rather, this evidence supported the ongoing, general reasonableness of this scheme, especially given that such usage data can be expected to fluctuate significantly from year to year. RP 271. This reasonable basis for assessing SDCs to multi-family units should have been upheld.

**G. The trial court erred in adjudicating the rights of parties not before the court**

Even if the trial court's analyses were supportable, its order should be reversed to the extent it requires refunds to developers other than Palermo. A "trial court does not have authority to adjudicate the rights of parties not before the court." *Marriage of McKean*, 110 Wn. App. 191, 195, 38 P.3d 1053 (2002). *Accord*, *In re Heuston*, 57 Wash. 533, 107 P. 832 (1910) (*per curiam*). Instead, Washington

court rules provide a procedure in CR 23 for certifying a class of plaintiffs. That rule was not followed in this case.

This requirement is not just a technicality. In this case, there may be factual distinctions or evidence that would justify a different result for other potential plaintiffs. For example, while Palermo paid fees under protest, other potential plaintiffs did not do so. In addition, as set forth by the testimony at trial, there may be additional evidence that supports the current fee structure even though such evidence was not presented in this case. These facts illustrate the purpose of the rule prohibiting adjudication of third parties' interests: having heard only the evidence supporting or refuting Palermo's claims, the trial court should not have speculated on the effect of its decision on other potential plaintiffs.

Accordingly, even if the trial court's decision is upheld this Court should strike that portion of the Findings of Fact and Conclusions of Law that require a refund to customers other than Palermo.

#### **H. Even if Palermo prevails, it is not entitled to attorney fees**

The trial court also erred in awarding Palermo attorney fees from unnamed and un-represented potential plaintiffs based on the "common fund" doctrine. This exception to the no-attorney-fee rule allows a plaintiff that creates a specific common monetary fund for the benefit of others to recover some of its attorney fees out of the common fund. See *Bowles v. Department of Retirement Sys.*,

121 Wn.2d 52, 70, 847 P.2d 440 (1993); *Pierce County v. State*, 150 Wn.2d 422, 78 P.3d 640 (2006). As set forth above, no “common fund” could properly be created in this case, and the trial court erred in creating one in ordering relief for non-parties in order to justify a fee award for Palermo.

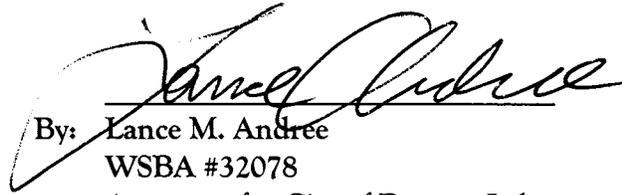
Further, even if the trial court’s order to refund fees to non-parties were appropriate, the “common fund” doctrine does not apply where, as here, the plaintiff sues only on its own behalf and does not take on the responsibility to represent the interests of other potential plaintiffs throughout the litigation. See *Swartout v. Spokane*, 21 Wn. App. 665, 676-77, 586 P.2d 135 (1978), *review denied*, 91 Wn.2d 1023 (1979) (denying fees where plaintiff sued on own behalf to invalidate unconstitutional tax, despite fact that ruling would also benefit others who paid the tax). Cf. *Covell v. Seattle*, 127 Wn.2d 874, 905 P.2d 324 (1995) (awarding fees under common fund rule where plaintiff filed class action on behalf of all who paid unconstitutional tax). Palermo did not pursue a class action or otherwise assume any duty to represent the interests of others who had paid the SDCs during settlement negotiations or at any other point during this litigation. Accordingly, *Swartout* controls and fees should have been denied.

## VI. CONCLUSION

For the reasons set forth above, the City respectfully requests that the Court of Appeals reverse the trial court and uphold the City’s SDC ordinance.

RESPECTFULLY SUBMITTED this 19<sup>th</sup> day of November, 2007.

DIONNE & RORICK

A handwritten signature in black ink, appearing to read "Lance M. Andree", is written over a horizontal line.

By: Lance M. Andree

WSBA #32078

Attorneys for City of Bonney Lake

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## VII. APPENDIX TABLE OF CONTENTS

### Appendix A

Exhibit 36, City of Bonney Lake Ordinance No. 919

### Appendix B

Exhibit 38, RP 231, (Excerpts) pp. 1-3, 41-43, 65,66

### Appendix C

Exhibit 78, Report of Ed Cebron re: Bonney Lake SDC Evaluation

### Appendix D

WAC 246-290-100

### Appendix E

BLMC 1.08.010

### Appendix F

BLMC 13.04.070

CERTIFICATE OF SERVICE

I certify under penalty of perjury under the laws of the State of Washington that I sent via legal messenger, the Appellant's Opening Brief to the following:

G. Richard Hill  
McCullough Hill, PS  
701 Fifth Avenue, Suite 7220  
Seattle, Washington 98104

Washington State Court of  
Appeals, Division Two  
David Ponzoha,  
Clerk/Administrator  
950 Broadway, Suite 300  
Tacoma, Washington 98402-4454

Dated this 19<sup>th</sup> day of November, 2007.

  
By: Cynthia Nelson

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STATE OF WASHINGTON  
BY  DEPUTY  
07 NOV 19 PM 01:05  
CLERK OF COURTS  
EMERSON

APPENDIX A

ORDINANCE NO. 919

AN ORDINANCE OF THE CITY OF BONNEY LAKE, PIERCE COUNTY, WASHINGTON, AMENDING CHAPTERS 13.04 AND 13.12 OF THE BONNEY LAKE MUNICIPAL CODE AND ORDINANCE NOS. 561, 571C, 588, 692, 692A, 763, 787, AND 828 RELATING TO WATER AND SEWER CONNECTION CHARGES AND FEES.

WHEREAS, the City has determined that certain fees charged for City water and sewer connections are in need of increase in order to provide for adequate utility infrastructure in the future;

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF BONNEY LAKE, WASHINGTON DO ORDAIN AS FOLLOWS:

Section 1. BLMC section 13.04.070 and Ordinance Nos. 588 § 5, 692 § 2, 692A §§ 1 and 2, 763 § 1, and 828 § 2 are hereby amended to read as follows:

**13.04.070 Water service application.**

A. All applications for water service shall be made at the City Hall by the property owner or his authorized agent. The records of the Pierce County auditor shall be prima facie proof of property ownership. The applicant shall furnish the city such information as may be required on the city's application form. At the time of filing the application the applicant shall pay the fee for such water services as required in this chapter. The applicant shall agree to conform to the rules and regulations for the operation of the city's water system as set forth in Articles I, II, III and V of this chapter.

B. Water Taps. The city reserves the right to regulate the size of water taps. Taps will be made only by the Bonney Lake water department or a contractor for an approved water extension.

C. Water Service Connection Charges. All connections to the water system of the city and the charges to be paid by the property owner toward the construction thereof shall be as provided in this subsection:

1. Installation Charge. The following installation charges will be paid by the property owner as part of their connection charge at the time application is made for water service.

Effective January 1, 2002:

Meter Size	Meter Set Only	Meter Set and Service Line
5/8" - 3/4"	<del>\$182.61</del> <u>192.00</u>	<del>\$862.33*</del> <u>905.00</u>
1"	<del>\$253.63</del> <u>266.00</u>	<del>\$913.05*</del> <u>959.00</u>
1-1/4"	Actual time and materials plus indirect costs.	
1-1/2"	"	"
2"	"	"
3"	"	"
4"	"	"
6"	"	"

Effective January 1, 2003:

Meter Size	Meter Set Only	Meter Set and Service Line
5/8" - 3/4"	\$200.00	\$950.00
1"	\$280.00	\$1,000.00

\*If installation involves work underneath the roadway surface, the fee shall be according to the actual time and materials plus 20 percent for indirect costs.

2. Charge for Equitable Share of System. Each new connection to the water system shall pay as part of their connection charges their equitable share of the cost of the system according to the following schedule:

a. Residential.

i. Single-Family.

Meter Size	City and County Charge	City and County Charge	
		Effective 1/1/02	Effective 1/1/03
5/8" - 3/4"	\$ 2,298.86	\$3,500.00	\$4,700.00
1"	\$ 3,738.44	\$5,700.00	\$7,600.00
1-1/4"	\$ 6,453.24	\$9,800.00	\$13,200.00
1-1/2"	\$ 8,779.49	\$13,400.00	\$18,000.00
2"	To be determined on each individual case, based on		
3"	the projected amount of usage and peaking expected		
4"	from the customer. These charges shall reflect the		
6"	value of the water for individual residential customers.		

ii. Multifamily and Mobile Home Parks.

1st unit	\$ 2,298.86	\$3,500.00	
			\$4,700.00
each additional unit	\$ 1,839.29	\$2,800.00	\$3,800.00

b. Nonresidential.

Meter Size	City and County Charge	City and County Charge	
		Effective 1/1/02	Effective 1/1/03
5/8" - 3/4"	\$ 2,298.86	\$3,500.00	\$4,700.00
1"	\$ 3,738.44	\$5,700.00	\$7,600.00
1-1/4"	\$ 6,453.24	\$9,800.00	\$13,200.00
1-1/2"	\$ 8,779.49	\$13,400.00	\$18,000.00
2"	To be determined on each individual case, based on		
3"	the projected amount of usage and peaking expected		
4"	from the customer. These charges shall reflect the		
6"	value of the water for individual residential customers.		

D. These charges are to apply in all cases where distance from the water main to the meter location does not exceed 60 feet. In such cases where the distance is over 60 feet there shall be an additional fee, based on cost of labor and materials.

E. Property Owner's Responsibility. Property owners are responsible for all leaks or damage due to leaks from privately installed and owned water lines. The property owner shall

install and maintain at his own expense all water service from the water meter to the place of use.

Section 2. BLMC section 13.12.100 and Ordinance Nos. 561 Art. VII § 3, 571C § 1, and 787 §§ 1 are hereby amended to read as follows:

**13.12.100 Connection fees or system development charges.**

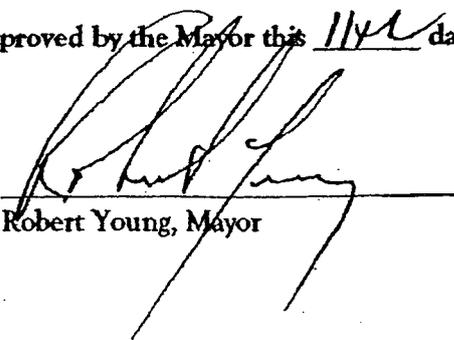
A. The fees for connection to the city's sewer utility shall be as follows:

1. The fee for a single-family residence (new construction) shall be ~~\$3,500~~ 4,500, payable at the time of building permitting.
2. The fee for an existing single family residence served by an onsite septic disposal system shall be ~~\$3,500~~ 4,500, payable at the time of application for sewer service.
3. The fee for multifamily residential units shall be ~~\$3,500~~ 4,500 per unit, payable at the time of building permit application.
4. Commercial and industrial sewer applicants shall pay ~~\$3,500~~ 4,500 per "unit of base flow", or a fraction thereof. The total connection fee shall be calculated according to BLMC 13.12.105.

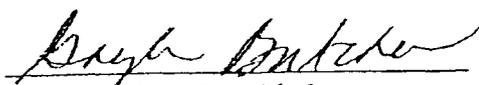
B. Connection fees shall be due and payable at the time of building permitting. Sewer applicants shall be vested at the current connection fee at the time of application for sewer service. An application for sewer service will only be accepted along with a complete building permit application or from an applicant with an existing residence served by a septic system and that also has sewer available.

Section 3. This Ordinance shall take effect and be in force five days from and after its passage, approval and publication as required by law; *provided*, that this Ordinance shall not take effect prior to January 1, 2002.

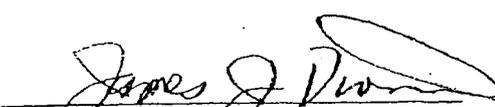
PASSED by the City Council and approved by the Mayor this 11th day of December, 2001.

  
Robert Young, Mayor

ATTEST:

  
Gayle Butcher, City Clerk

APPROVED AS TO FORM:

  
James J. Dionne, City Attorney

*published 12/17/01  
eff. 12/22/01*

APPENDIX B

Label	Length (ft)	Diameter (in)	Material
P-13	192	12	Ductile Iron
P-14	304	12	Ductile Iron
P-15	278	12	Ductile Iron
P-16	152	12	Ductile Iron
P-17	403	12	Ductile Iron
P-18	158	12	Ductile Iron
P-19	294	12	Ductile Iron
P-20	77	12	Ductile Iron
P-21	254	12	Ductile Iron
P-23	264	16	Ductile Iron
P-24	171	12	Ductile Iron
P-26	129	12	Ductile Iron
P-27	180	12	Ductile Iron
P-28	170	12	Ductile Iron
P-29	110	12	Ductile Iron
P-32	164	4	Ductile Iron
P-34	356	8	Ductile Iron
P-35	570	8	Ductile Iron
P-36	131	4	Ductile Iron
P-37	605	16	Ductile Iron
P-38	481	16	Ductile Iron
P-39	75	12	Ductile Iron
P-40	160	8	Ductile Iron
P-49	689	8	Ductile Iron
P-50	161	4	Ductile Iron
P-51	884	8	Ductile Iron
P-52	225	8	Ductile Iron
P-53	1,235.00	8	Ductile Iron
P-54	430	4	Ductile Iron
P-55	243	8	Ductile Iron
P-56	294	4	Ductile Iron
P-57	564	8	Ductile Iron
P-58	340	10	Ductile Iron
P-60	248	8	Ductile Iron
P-61	1,785.00	12	Ductile Iron
P-62	2,152.00	12	Ductile Iron
P-63	114	8	Ductile Iron
P-64	72	6	Ductile Iron
P-65	588	6	Ductile Iron
P-67	601	12	Ductile Iron
P-68	1,494.00	12	Ductile Iron
P-70	159	8	Ductile Iron
P-71	407	8	Ductile Iron
P-72	655	8	Ductile Iron
P-73	98	8	Ductile Iron
P-74	179	6	Ductile Iron
P-75	312	8	Ductile Iron
P-77	27	8	Ductile Iron
P-78	97	6	Ductile Iron
P-79	127	8	Ductile Iron
P-80	910	8	Ductile Iron
P-81	355	12	Ductile Iron
P-82	462	8	Ductile Iron
P-83	202	8	Ductile Iron
P-84	564	12	Ductile Iron
P-85	91	6	Ductile Iron
P-86	365	8	Ductile Iron
P-87	200	12	Ductile Iron
P-88	298	12	Ductile Iron

Sum of Length (ft)		
Diameter (in)	Material	Total
1	Ductile Iron	315
	PVC	202
1 Total		517
2	Copper	27
	Ductile Iron	1,241
	PVC	13,275
	Steel	1,507
2 Total		16,050
2.5	Ductile Iron	400
	2.5 Total	
3	Cast iron	100
	Ductile Iron	400
	PVC	604
3 Total		1,104
4	Asbestos Cement	15,949
	Cast iron	566
	Ductile Iron	24,888
	PVC	358
	Steel	60,102
4 Total		101,863
5 Cast iron		100
5 Total		100
6	Asbestos Cement	14,717
	Cast iron	5,146
	Ductile Iron	69,386
	PVC	236
	Steel	38,426
6 Total		127,911
7 Ductile Iron		1,222
7 Total		1,222
8	Asbestos Cement	1,053
	Cast iron	2,481
	Ductile Iron	325,389
	PVC	989
	Steel	32,635
8 Total		362,547
10	Cast iron	5,567
	Ductile Iron	28,062
	HDPE	591
	Steel	46
10 Total		34,266
12	Cast iron	33,647
	Ductile Iron	216,434
	PVC	3,518
	Steel	1,690
12 Total		255,289
14 HDPE		742
14 Total		742
16	Cast iron	3,953
	Ductile Iron	19,005
	Steel	1,475
16 Total		24,433
42 Steel		308
42 Total		308

P-91	51	12 Ductile Iron
P-92	399	12 Ductile Iron
P-93	167	8 Ductile Iron
P-94	134	6 Ductile Iron
P-95	150	8 Ductile Iron
P-96	142	6 Ductile Iron
P-97	369	6 Ductile Iron
P-98	162	8 Ductile Iron
P-99	156	8 Ductile Iron
P-100	153	6 Ductile Iron
P-101	95	8 Ductile Iron
P-102	301	12 Ductile Iron
P-103	422	8 Ductile Iron
P-104	650	12 Ductile Iron
P-105	67	8 Ductile Iron
P-106	136	6 Ductile Iron
P-107	664	12 Ductile Iron
P-108	93	12 Ductile Iron
P-109	76	12 Ductile Iron
P-111	211	12 Ductile Iron
P-112	137	12 Ductile Iron
P-114	56	12 Ductile Iron
P-115	443	12 Ductile Iron
P-116	54	12 Ductile Iron
P-117	34	12 Ductile Iron
P-118	328	12 Ductile Iron
P-119	33	12 Ductile Iron
P-120	404	12 Ductile Iron
P-121	32	12 Ductile Iron
P-122	285	12 Ductile Iron
P-123	45	12 Ductile Iron
P-124	346	12 Ductile Iron
P-125	48	12 Ductile Iron
P-126	31	12 Ductile Iron
P-127	349	12 Ductile Iron
P-128	30	12 Ductile Iron
P-129	44	12 Ductile Iron
P-130	402	12 Ductile Iron
P-131	32	12 Ductile Iron
P-132	45	12 Ductile Iron
P-133	404	12 Ductile Iron
P-134	33	12 Ductile Iron
P-135	43	12 Ductile Iron
P-137	2,664.00	6 Ductile Iron
P-138	708	8 Ductile Iron
P-139	1,167.00	8 Ductile Iron
P-140	764	8 Ductile Iron
P-142	124	12 Ductile Iron
P-144	239	8 Ductile Iron
P-145	233	4 Ductile Iron
P-146	98	8 Ductile Iron
P-147	166	4 Ductile Iron
P-148	550	8 Ductile Iron
P-149	284	8 Ductile Iron
P-150	713	12 Ductile Iron
P-152	452	12 PVC
P-153	91	12 PVC
P-155	49	12 Ductile Iron
P-156	275	12 Ductile Iron
P-157	201	8 PVC

48 Steel	156
48 Total	156
64 Ductile Iron	843
64 Total	843
Grand Total	927,750

LF  
176 Miles

City of Bonney Lake  
Water System Inventory

General Component	Quantity	Cost	Replacement Cost		S.L. Depreciation		City Zone		Tacoma Zone			
			Value	Value	Value	Value	Quantity	Cost	Quantity	Cost	Value	
Water Mains	923,564 LF	\$40/LF \$	37,044,105	\$	28,188,479		461,782 LF	\$40/LF \$	18,522,053	461,782 LF	\$40/LF \$	18,522,053
PRV Stations	11 each	\$20,727/ea \$	228,000	\$	205,200		11 each	\$20,727/ea \$	228,000	0 each	\$20,727/ea \$	-
BPS	3 each	\$374,000/ea \$	1,122,000	\$	1,009,800		3 each	\$374,000/ea \$	1,122,000	0 each	\$374,000/ea \$	-
Storage	5.7 MG	\$430,886/MG \$	2,471,875	\$	1,853,906		3.8 MG	\$430,886/MG \$	1,647,190	1.9 MG	\$430,886/MG \$	824,685
Supply*	6,170 gpm	\$3,000/gpm \$	18,510,000	\$	18,510,000		3,870 gpm	\$3,000/gpm \$	11,610,000	2,300 gpm	\$3,000/gpm \$	6,900,000
Total			59,375,980	\$	49,767,085				33,129,242			26,246,738
20-Year CIP			64,058,050	\$	64,058,050				56%			44%
Total Value			123,434,030	\$	113,825,135				33,129,242			26,246,738
ERUs in 2024			19,672		19,672							
CFC			6,275	\$	5,786				#DIV/0!			#DIV/0!

\*Supply is considered an asset (not depreciated)

31115 X

City of Bonney Lake  
Water System Capital Facilities Charge

Component	Quantity	Construction Cost	Replacement Cost	50-year S.L. Depreciation	City Funded	New since 98 CWSP
Water Mains	923,564 LF	\$ 421LF	\$ 37,044,105	76%	\$ 28,188,779	\$ 17,192,697
Transmission System	315,194 LF	\$ 25LF	\$ 15,837,340	71%	\$ 13,200,060	\$ 12,071,143
Distribution System	608,370 LF	\$ 25LF	\$ 21,206,785	83%	\$ 14,988,119	\$ 5,121,554
PRV Stations	17 each	\$ 10,000/ea	\$ 228,000	90%	\$ 211,600	\$ 188,000
Rhodes Lake Road	1 each	\$ 10,000/ea	\$ 10,000	0%	\$ -	\$ -
166th Avenue	1 each	\$ 10,000/ea	\$ 10,000	0%	\$ -	\$ -
47th Street	1 each	\$ 10,000/ea	\$ 10,000	0%	\$ -	\$ -
Cedar View	1 each	\$ 10,000/ea	\$ 10,000	0%	\$ -	\$ -
Bonney Lake Blvd	1 each	\$ 32,000/ea	\$ 32,000	100%	\$ 30,400	\$ 32,000
South Lake Tapps	1 each	\$ 32,000/ea	\$ 32,000	100%	\$ 30,400	\$ 32,000
Summer Tapps Hwy	1 each	\$ 32,000/ea	\$ 32,000	100%	\$ 30,400	\$ 32,000
Willowbrook	1 each	\$ 20,000/ea	\$ 20,000	0%	\$ -	\$ 20,000
Panorama Heights	1 each	\$ 20,000/ea	\$ 20,000	0%	\$ -	\$ 20,000
Ashton Woods	1 each	\$ 20,000/ea	\$ 20,000	0%	\$ -	\$ 20,000
Booster Pump Stations	4,960 gpm	\$ 1,122,000	\$ 1,122,000	70%	\$ 733,400	\$ 772,000
Lakeridge	3,860 gpm	\$ 772,000	\$ 772,000	100%	\$ 733,400	\$ 772,000
Ponderosa	1,000 gpm	\$ 300,000	\$ 300,000	0%	\$ -	\$ -
Panorama Heights	100 gpm	\$ 50,000	\$ 50,000	0%	\$ -	\$ -
Storage Facilities	5.7 MG	\$ 2,471,875	\$ 2,471,875	100%	\$ 1,907,500	\$ 1,163,750
Tacoma Point	1.0 MG	\$ 437,500	\$ 437,500	100%	\$ 218,750	\$ 218,750
Lakeridge No. 1	0.8 MG	\$ 328,125	\$ 328,125	100%	\$ 164,063	\$ 164,063
Ponderosa No. 1	1.1 MG	\$ 481,250	\$ 481,250	100%	\$ 360,938	\$ 360,938
Ponderosa No. 2	2.8 MG	\$ 1,225,000	\$ 1,225,000	100%	\$ 1,163,750	\$ 1,163,750
Supply & Treatment	6,170 gpm	\$ 18,510,000	\$ 18,510,000	100%	\$ 17,584,500	\$ 1,800,000
Grainier Springs	1,500 gpm	\$ 4,500,000	\$ 4,500,000	100%	\$ 4,275,000	\$ 4,275,000
Victor Falls	1,100 gpm	\$ 3,300,000	\$ 3,300,000	100%	\$ 3,135,000	\$ 3,135,000
Tacoma Point	2,300 gpm	\$ 6,900,000	\$ 6,900,000	100%	\$ 6,555,000	\$ 6,555,000
Ball Park	1,270 gpm	\$ 3,810,000	\$ 3,810,000	100%	\$ 3,619,500	\$ 1,800,000
Total		\$ 59,375,980	\$ 59,375,980	82%	\$ 48,942,679	\$ 21,116,447
20-Year CIP (all components)		\$ 64,058,050	\$ 64,058,050		\$ 64,058,050	\$ 64,058,050
Total System Value (Current plus CIP)		\$ 123,434,030	\$ 123,434,030		\$ 98,156,828	\$ 85,174,497
Projected number of ERUs in 2024			19,672		19,672	19,672
Capital Facilities Charge (CFC)		\$ 6.275	\$ 6.275		\$ 4.990	\$ 4.330

\$ 4,898 @ \$3760/gpm	\$ 48,942,679	2000 System Value	\$ 21,116,447
\$ 4,491 @ \$4760/gpm	11,791	Current ERUs	11,791
\$ 4,333 @ \$4000/gpm	4,151	Value per ERU	1,791
	or		
	48,942,679	2000 System Value	\$ 21,116,447
	10,000,000	current debt	800,000
	38,942,679	adj value	\$ 13,116,447
	11,791	Current ERUs	11,791
	3,303		1,112

City Zone	Method 1		Method 2		Method 3	
	50-year S.L. Depreciation	Tacoma Zone	50-year S.L. Depreciation	Tacoma Zone	50-year S.L. Depreciation	Tacoma Zone
City Zone	\$ 6,600,030	\$ 6,600,030	\$ 9,900,045	\$ 3,300,015	\$ 9,900,045	\$ 3,300,015
Tacoma Zone	\$ 7,494,060	\$ 7,494,060	\$ 13,489,307	\$ 1,498,812	\$ 13,489,307	\$ 1,498,812
City Zone	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000
Tacoma Zone	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000
City Zone	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
Tacoma Zone	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
City Zone	\$ 30,400	\$ 30,400	\$ 30,400	\$ 30,400	\$ 30,400	\$ 30,400
Tacoma Zone	\$ 30,400	\$ 30,400	\$ 30,400	\$ 30,400	\$ 30,400	\$ 30,400
City Zone	\$ 30,400	\$ 30,400	\$ 30,400	\$ 30,400	\$ 30,400	\$ 30,400
Tacoma Zone	\$ 30,400	\$ 30,400	\$ 30,400	\$ 30,400	\$ 30,400	\$ 30,400
City Zone	\$ 30,400	\$ 30,400	\$ 30,400	\$ 30,400	\$ 30,400	\$ 30,400
Tacoma Zone	\$ 30,400	\$ 30,400	\$ 30,400	\$ 30,400	\$ 30,400	\$ 30,400
City Zone	\$ 19,000	\$ 19,000	\$ 19,000	\$ 19,000	\$ 19,000	\$ 19,000
Tacoma Zone	\$ 19,000	\$ 19,000	\$ 19,000	\$ 19,000	\$ 19,000	\$ 19,000
City Zone	\$ 733,400	\$ 733,400	\$ 733,400	\$ 733,400	\$ 733,400	\$ 733,400
Tacoma Zone	\$ 270,000	\$ 270,000	\$ 270,000	\$ 270,000	\$ 270,000	\$ 270,000
City Zone	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500
Tacoma Zone	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500
City Zone	\$ 2,187,750	\$ 2,187,750	\$ 2,187,750	\$ 2,187,750	\$ 2,187,750	\$ 2,187,750
Tacoma Zone	\$ 164,063	\$ 164,063	\$ 164,063	\$ 164,063	\$ 164,063	\$ 164,063
City Zone	\$ 360,938	\$ 360,938	\$ 360,938	\$ 360,938	\$ 360,938	\$ 360,938
Tacoma Zone	\$ 1,163,750	\$ 1,163,750	\$ 1,163,750	\$ 1,163,750	\$ 1,163,750	\$ 1,163,750
City Zone	\$ 4,275,000	\$ 4,275,000	\$ 4,275,000	\$ 4,275,000	\$ 4,275,000	\$ 4,275,000
Tacoma Zone	\$ 3,135,000	\$ 3,135,000	\$ 3,135,000	\$ 3,135,000	\$ 3,135,000	\$ 3,135,000
City Zone	\$ 6,555,000	\$ 6,555,000	\$ 6,555,000	\$ 6,555,000	\$ 6,555,000	\$ 6,555,000
Tacoma Zone	\$ 3,619,500	\$ 3,619,500	\$ 3,619,500	\$ 3,619,500	\$ 3,619,500	\$ 3,619,500
City Zone	\$ 27,910,777	\$ 21,031,902	\$ 44,143,852	\$ 4,798,827	\$ 44,143,852	\$ 4,798,827
Tacoma Zone	\$ 57%	\$ 43%	\$ 90%	\$ 10%	\$ 90%	\$ 10%

24-11-42

City of Bonney Lake  
Water System Projects Completed in the last 10 years

2000

CIP #	Description	Construction Cost	Design Cost	SDC Costs	Construction Costs	Original		Source	50-year S.L.	
						Construction Cost	Construction Cost		Depr. Value	Transmission Only
1986	1 X Angelina Road Water Main	250,000	xxx	xxx	xxx	250,000.00	164,427.00	guess	\$ 75,000	\$ 75,000
1996	2 X Comprehensive Water System Plan	0	\$164,427	0	0	164,427.00	131,542		\$ 131,542	
1997	3 B1 12" Replacement - Church Lake Drive	1,213,332	\$176,304	xxx	xxx	1,389,636.09	20,000.00	Bid tab	\$ 1,181,191	\$ 1,181,191
1998	4 S3 Spring Source Meter Replacements	20,000	0	0	0	20,000.00	18,000	guess	\$ 18,000	
1998	5 B3 8" Replacement - 26th St E (Sch. B)	230,000	xxx	xxx	xxx	230,000.00	25,881.00	CIP	\$ 207,000	\$ 207,000
1998	6 Q3 Corrosion Control Special Monitoring	0	\$25,881	0	0	25,881.00	101,028.00	enrg est	\$ 23,293	
1998	7 S6 Well No. 6 Drilling	71,402	\$29,626	0	0	101,028.00	267,423.79	bid tab	\$ 90,925	\$ 240,681
1998	8 R23* 8" Replacement - 77th St. E.	238,542	\$28,882	0	0	1,438,218.67	148,640.25	const	\$ 1,366,308	\$ 141,208
1999	9 P1 Ponderosa Water Tank No. 2	1,225,685	\$149,631	\$62,903	xxx	1,438,218.67	46,250.00	const	\$ 1,366,308	\$ 141,208
1999	10 P2 12" Extension - S. Prairie Road/214th Ave E.	148,640	xxx	xxx	xxx	148,640.25	296,725.62	Bid tab	\$ 43,938	\$ 281,889
1999	11 Q1 Compliance Monitoring	0	\$46,250	0	0	5,000.00	702,747		\$ 30,626	\$ 702,747
1999	12 Q2 Wellhead Protection Plan	0	\$296,726	0	0	30,626.00	194,265	bid tab	\$ 185,638	\$ 194,265
1999	13 L1 Lakeridge Water Tank Structural Study	0	\$5,000	0	0	185,637.86	7,798.00	bid tab	\$ 7,798	\$ 7,798
1999	14 Q4 Corrosion Control Facilities (one-site)	0	xxx	xxx	xxx	739,733.90	30,626.00	bid tab	\$ 30,626	\$ 702,747
1999	15 B8 12" Replacement - Lakeridge Drive E.	609,457	\$130,277	xxx	xxx	739,733.90	194,265.43	bid tab	\$ 194,265	\$ 194,265
2000	16 P5 PRS - 93rd St. E.	24,932	\$5,694	xxx	xxx	30,626.00	185,637.86	bid tab	\$ 185,638	\$ 185,638
2000	17 L2 Install New Zone Valves	0	xxx	xxx	xxx	194,265.43	7,798.00	bid tab	\$ 7,798	\$ 7,798
2000	18 L4 8" Connection - S. Tapps Hwy. to 178th Ave E.	109,709	\$70,243	\$14,313	xxx	194,265.43	185,637.86	bid tab	\$ 185,638	\$ 185,638
2000	19 L5 PRS - Bonney Lake Blvd./188th	96,333	\$66,310	\$22,995	xxx	185,637.86	7,798.00	bid tab	\$ 7,798	\$ 7,798
2000	20 L6 PRS - S. Tapps Drive E./186th	0	xxx	xxx	xxx	7,798.00	7,798.00	bid tab	\$ 7,798	\$ 7,798
2000	21 X Lake Tapps Parkway Water Main	0	7,798	0	0	7,798.00	7,798.00	bid tab	\$ 7,798	\$ 7,798
2000	22 L7 PRS - 42nd Street East	0	xxx	xxx	xxx	7,798.00	7,798.00	bid tab	\$ 7,798	\$ 7,798
2000	23 B4 8" Replacement - 82nd St. E./191st Ave. E.	xxx	xxx	xxx	xxx	7,798.00	7,798.00	bid tab	\$ 7,798	\$ 7,798
2000	24 B5 8" Replacement - 190th Ave E./80th St. E.	xxx	xxx	xxx	xxx	7,798.00	7,798.00	bid tab	\$ 7,798	\$ 7,798
2000	25 B6 12" Replacement - W. Tapps Hwy.	xxx	xxx	xxx	xxx	7,798.00	7,798.00	bid tab	\$ 7,798	\$ 7,798
2000	26 B7 8" Replacement - McChesney Drive/65th St. E.	568,138	\$113,054	\$111,019	xxx	792,210.70	792,210.70	bid tab	\$ 792,211	\$ 792,211
2000	27 L8 BPS - Sumner-Tapps Co. Rd./S. Tapps Hwy.	766,198	\$193,270	\$105,197	xxx	1,064,664.96	1,064,665	bid tab	\$ 1,064,665	\$ 1,064,665
2000	28 S7 Well No. 6 Development	595,593	\$115,874	\$37,580	xxx	749,047.10	749,047	bid tab	\$ 749,047	\$ 749,047
2000	29 Q8 Wellhead Protection Improvements	0	\$106,529	0	0	106,528.53	106,529	bid tab	\$ 106,529	\$ 106,529
2000	30 S9 Telemetry and Supervisory Control	0	\$7,200	0	0	7,200.00	7,200	bid tab	\$ 7,200	\$ 7,200
2000	31 B19* 8" Replacement - Inlet Island	688,653	\$139,726	\$103,828	xxx	932,207.00	932,207	bid tab	\$ 932,207	\$ 932,207
2000	32 X 8" Replacement - Driftwood Point	59,956	\$28,540	\$15,938	xxx	104,434.04	104,434	bid tab	\$ 104,434	\$ 104,434
Sub-total		\$6,666,571	\$1,742,814	\$473,772	xxx	\$8,883,157			\$ 8,685,091	\$ 5,859,672

\$ 8,883,157	Total	\$ 8,685,091
\$ -	Debt	\$ -
\$ 8,883,157	Adj Total	\$ 8,685,091
\$ 11,791	ERUs	\$ 11,791
\$ 753	SDC	\$ 737

EX 11-43

City of Bonney Lake  
Water System Water Main Inventory

Material	Sum of Length (ft)	Diameter (in)	Adjusted Total	Replacement Cost	S.L. Depreciation	Component		Replacement Cost		S.L. Depreciation	
						Transmission	Distribution	Transmission	Distribution	Transmission	Distribution
Asbestos Cement	16,949	4	16,949	\$ 25/LF	6%	15,849 LF	\$ 398,725	\$ 19,836	\$ 1,331/LF	\$ 19,836	
Asphalted cast iron (new)	16,828	6	16,828	\$ 30/LF	8%	16,828 LF	\$ 504,840	\$ 25,242	\$ 1,516/LF	\$ 25,242	
Copper	3,053	6	3,053	\$ 40/LF	8%	1,653 LF	\$ 66,120	\$ 2,106	\$ 2,510/LF	\$ 2,106	
HDPE	150	6	150	\$ 30/LF	75%	150 LF	\$ 4,500	\$ 3,375	\$ 2,250/LF	\$ 3,375	
PVC	566	4	566	\$ 25/LF	50%	566 LF	\$ 14,150	\$ 7,075	\$ 1,250/LF	\$ 7,075	
Steel	5,146	6	5,146	\$ 30/LF	50%	1,415 LF	\$ 42,450	\$ 21,225	\$ 1,516/LF	\$ 21,225	
Cast Iron	2,481	8	2,481	\$ 40/LF	50%	99,240 LF	\$ 3,969,600	\$ 198,480	\$ 2,000/LF	\$ 198,480	
Asphalted cast iron (new)	5,493	10	5,493	\$ 45/LF	60%	247,185 LF	\$ 11,124,225	\$ 673,455	\$ 2,791/LF	\$ 673,455	
Copper	36,993	12	36,993	\$ 50/LF	60%	1,799,850 LF	\$ 89,992,500	\$ 5,399,550	\$ 3,000/LF	\$ 5,399,550	
HDPE	3,953	16	3,953	\$ 60/LF	50%	237,180 LF	\$ 14,230,800	\$ 711,540	\$ 3,000/LF	\$ 711,540	
Steel	53,632	2	53,632	\$ 20/LF	80%	530 LF	\$ 10,600	\$ 4,240	\$ 1,800/LF	\$ 4,240	
Cast Iron	1,299	2	1,299	\$ 20/LF	90%	25,880 LF	\$ 517,600	\$ 25,880	\$ 1,800/LF	\$ 25,880	
Ductile Iron	24,856	4	24,856	\$ 25/LF	90%	621,400 LF	\$ 1,553,500	\$ 77,180	\$ 2,500/LF	\$ 77,180	
Asphalted cast iron (new)	65,516	8	65,516	\$ 30/LF	90%	1,985,474 LF	\$ 59,564,220	\$ 2,978,272	\$ 3,000/LF	\$ 2,978,272	
Copper	280,209	10	280,209	\$ 40/LF	90%	11,209,316 LF	\$ 448,374,240	\$ 22,418,712	\$ 3,900/LF	\$ 22,418,712	
Asphalted cast iron (new)	30,861	10	30,861	\$ 45/LF	90%	1,380,645 LF	\$ 62,129,025	\$ 3,106,455	\$ 4,500/LF	\$ 3,106,455	
HDPE	152,516	12	152,516	\$ 60/LF	90%	7,625,800 LF	\$ 457,548,000	\$ 22,877,400	\$ 6,000/LF	\$ 22,877,400	
Steel	15,895	16	15,895	\$ 60/LF	90%	1,139,700 LF	\$ 68,382,000	\$ 3,419,550	\$ 6,000/LF	\$ 3,419,550	
Ductile Iron	574,673	10	574,673	\$ 45/LF	95%	26,595 LF	\$ 1,199,775	\$ 1,025,730	\$ 4,500/LF	\$ 1,025,730	
HDPE	591	10	591	\$ 45/LF	95%	591 LF	\$ 26,595	\$ 26,285	\$ 4,500/LF	\$ 26,285	
PVC	13,506	2	13,506	\$ 20/LF	75%	270,120 LF	\$ 5,402,400	\$ 202,960	\$ 1,500/LF	\$ 202,960	
Asphalted cast iron (new)	358	4	358	\$ 25/LF	75%	13,566 LF	\$ 339,150	\$ 6,713	\$ 1,500/LF	\$ 6,713	
HDPE	236	6	236	\$ 30/LF	75%	354 LF	\$ 10,620	\$ 2,655	\$ 1,500/LF	\$ 2,655	
PVC	989	8	989	\$ 40/LF	75%	39,590 LF	\$ 1,583,600	\$ 73,170	\$ 3,000/LF	\$ 73,170	
Steel	3,518	12	3,518	\$ 50/LF	75%	175,800 LF	\$ 8,790,000	\$ 431,925	\$ 3,900/LF	\$ 431,925	
Asphalted cast iron (new)	18,607	2	18,607	\$ 20/LF	10%	34,280 LF	\$ 685,600	\$ 3,428	\$ 3,000/LF	\$ 3,428	
HDPE	1,714	4	1,714	\$ 25/LF	10%	1,624,700 LF	\$ 40,617,500	\$ 1,624,700	\$ 3,000/LF	\$ 1,624,700	
Steel	64,988	6	64,988	\$ 30/LF	10%	1,272,750 LF	\$ 38,182,500	\$ 1,272,750	\$ 3,000/LF	\$ 1,272,750	
Asphalted cast iron (new)	42,425	8	42,425	\$ 40/LF	10%	1,466,800 LF	\$ 58,672,000	\$ 1,466,800	\$ 3,000/LF	\$ 1,466,800	
HDPE	36,670	10	36,670	\$ 45/LF	10%	2,070 LF	\$ 93,150	\$ 2,070	\$ 4,500/LF	\$ 2,070	
Steel	46	10	46	\$ 50/LF	10%	125,100 LF	\$ 6,255,000	\$ 125,100	\$ 5,000/LF	\$ 125,100	
Asphalted cast iron (new)	2,502	12	2,502	\$ 60/LF	10%	88,500 LF	\$ 5,310,000	\$ 88,500	\$ 6,000/LF	\$ 88,500	
HDPE	1,475	16	1,475	\$ 60/LF	10%	1,475 LF	\$ 88,500	\$ 88,500	\$ 6,000/LF	\$ 88,500	
Steel	149,820	16	149,820	\$ 60/LF	10%	1,475 LF	\$ 88,500	\$ 88,500	\$ 6,000/LF	\$ 88,500	
Grand Total	830,729		830,729			255,765 LF	\$ 12,849,425	\$ 19,763,865		\$ 10,427,120	
Totals			830,729		27%	574,964 LF	\$ 12,849,425	\$ 19,763,865		\$ 13,333,475	
						830,729 LF			69%	\$ 23,760,695	

\*Removed odd-sized pipes associated with pumping facilities or Tap Pipeline

Lookup Table

Material (simplified Age)	Dep. Val
Asbestos Cement	5%
Asphalted cast iron (new)	75%
Cast iron	60%
Copper	90%
Ductile iron	85%
HDPE	70%
PVC	70%
Steel	10%

Lookup Table

Replacement	Cost
1	\$ 20/LF
4	\$ 25/LF
6	\$ 30/LF
8	\$ 40/LF
10	\$ 45/LF
12	\$ 50/LF
16	\$ 60/LF
64	\$ 250/LF

EX 11-65

Sum of Length (ft)	Total
1	809
2	16,546
2.5	400
3	500
4	106,717
5	100
6	130,301
7	1,502
8	321,401
10	36,811
12	194,531
16	24,423
64	843
<b>Grand Total</b>	<b>834,883</b>

1994 (from 96 CWSP)

miles per year

Replacement Cost	Total	96 CWSP	Difference	New DI	Transmission Distribution
\$ 20/LF	\$ -	481	328	328	328
\$ 20/LF	\$ 330,910	23,973	(7,428)		
\$ 20/LF	\$ -				
\$ 20/LF	\$ -				
\$ 25/LF	\$ 2,667,925	545	(45)		
\$ 25/LF	\$ -	139,359	(32,642)		
\$ 30/LF	\$ 3,909,024	126,288	4,013	4,013	4,013
\$ 30/LF	\$ -				
\$ 40/LF	\$ 12,856,036	205,838	115,563	115,563	115,563
\$ 45/LF	\$ 1,656,495	31,506	5,305	5,305	5,305
\$ 50/LF	\$ 9,726,550	95,861	98,670	98,670	98,670
\$ 60/LF	\$ 1,465,380	17,773	6,650	6,650	6,650
\$ 250/LF	\$ -				
\$ 250/LF	\$ 32,612,320	641,624	190,414	230,529	119,904
		122 miles	36 miles	44 miles	23 miles
		77%	23%	28%	76%
					24%

99-11-66



## Memorandum

**TO:** Lance Andree  
Dionne & Rorick

**FROM:** Edward Cebron, Principal  
FCS GROUP

**RE:** Bonney Lake System Development Charge Evaluation

**DATE:** September 28, 2006

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The purpose of this memorandum is to summarize the work and conclusions of our evaluation of the City of Bonney Lake's water utility System Development Charge (SDC). Our study attempted to evaluate a reasonable range of outcomes using alternative methods of SDC calculation based on the utility's existing asset base and the latest capital improvement program. The analysis uses and applies information as it was available in 2004, the analytical basis for the City's current charges. Our mission, or charge, was to determine the charge or range of charges which we would develop and propose as equitable bases for the water SDC, varying with respect to method and related City policy.

### **SUMMARY OF FINDINGS**

The City's System Development Charge (SDC) was established at \$6,500. Our analysis has generated six alternative scenarios. Of those, we would recommend four for consideration as equitable bases for charges, ranging from a low of \$5,713 to a high of \$6,527 pre equivalent residential unit (ERU). While we find all of these generally consistent with objectives of equitable allocation of system costs, the charge of \$6,527 would be our preferred and recommended outcome. This approach bears two defining features: 1) the cost of the existing system is based on the original cost of fixed assets plus up to ten years of interest, as outlined in RCW 35.92.025,; and 2) the cost of system expansion is based on a 20 year capital plan, which is consistent with the planning horizon used to define system needs and growth.

### **SYSTEM DEVELOPMENT CHARGE**

The City's System Development Charge (SDC) is a connection charge authorized under Washington statute RCW 35.92.025, which states:

"Cities and towns are authorized to charge property owners seeking to connect to the water or sewerage system of the city or town as a condition to granting the right to so connect, in addition to the cost of such connection, such reasonable connection charge as the legislative body of the city or town shall determine proper in order that such property owners shall bear their equitable share of the cost of such system. The equitable share may include interest charges applied from the date of construction of the water or sewer system until the connection, or for a period not to exceed ten years, at a rate commensurate with the rate of interest applicable to the city or town at the time of construction or major rehabilitation of the water or sewer system, or at the time of installation of the water or sewer lines to which the property owner is seeking to connect but not to

exceed ten percent per year: PROVIDED, That the aggregate amount of interest shall not exceed the equitable share of the cost of the system allocated to such property owners. Connection charges collected shall be considered revenue of such system.”

Within this general framework, various methods have been developed and employed to calculate charges which reflect an “equitable share of the cost”. Cities have used a variety of methods or conceptual bases for setting charges that they consider to be an equitable allocation of system costs, as decided through consideration and action by their legislative bodies. There is therefore no single “right” answer to what a City’s SDC should be, except as determined through the discretion of that City’s Council.

In our review, three alternative approaches have been used for calculating System Development Charge. The alternative SDC calculations consist of some or all of the three components:

- (a) Existing utility cost basis –This is the cost of existing water system assets. In our analysis, we have removed and excluded water supply assets, addressing those through a separate analysis (below). We have also focused on assets constructed prior to the date of the water system plan (May 2005) so that capital projects in that plan are not duplicated in the existing asset base as they are completed.
- (b) Future improvement cost basis – This is the cost of planned future improvements. Again, we have excluded future supply investments and addressed those separately.
- (c) New water supply cost - The cost of acquiring additional new water supply established based strictly on future projects, costs and capacities.

The water supply cost bases are separated from the rest of the utility cost basis, and the water supply SDC is calculated as a separate and distinct component of the total SDC, because the costs associated with acquiring additional water supplies are incurred to serve future growth only, and therefore these future customers should bear the entire capital cost associated with new water supply projects. The rest of the utility asset base and future projects, excluding supply, form an integrated system which serve both the existing and future customers, and these costs are allocated proportionately to the entire customer base (including both existing and future customers) to be served by the existing and planned utility assets.

The utility’s future capital costs and new water supply costs are based on the utility’s planning documents and projections, and therefore do not vary between the alternatives. In other words, all the SDC alternatives presented below rely on the same future cost basis of the SDC (b), as well as the water supply SDC (c). The alternative SDC calculations vary only in their approach to calculating the existing cost basis (a) of the charge. The following sections describe the methodology and calculation of the shared components (b) and (c), while the component (a) of each alternative is described separately further below.

### **Future Cost Basis**

The future cost basis of the utility (b) is based on the future projects needs identified in the May 2005 City of Bonney Lake Comprehensive Water System Plan. The Plan identifies projects to be implemented in the 6-year and 20-year periods (tables 9-1 and 9-4). In practice, both the shorter and longer-term horizons are often used as the basis for the SDC. We prefer to use the longer-term horizon, as it tends to provide greater consistency between the projects included and the growth accommodated within the timeframe of the analysis. With a shorter timeframe, some projects may provide capacity for growth extending outside that window of time, while others may be more limited in capacity and ability to meet growth, creating potential inconsistencies in subsequent development of unit costs. For this analysis, we have determined charges using both the 6-year and 20 year timeframes. However, our recommendation would lean toward using the 20 year horizon as a preferred basis, primarily because this results in a share of system costs defined by a convergence of needs, improvements, and growth for that same period.

Another analytical decision relates to the cost basis for future projects. The costs estimated at the time of the plan are based on prevailing costs at that point in time, while projects are scheduled well into the

future. Most commonly, we rely on the (then) current cost estimates to establish an initial charge, and then consider appropriate escalation of the charge over time to remain consistent with changing costs. The scenarios developed below therefore all rely on the cost estimates in the plan, without inflation adjustment until the time of construction.

Finally, a third analytical decision relates to whether future repair and replacement projects should be included in the cost basis for the charge. A particular difficulty in water systems is that replacement of aging infrastructure is typically accompanied by improvement to current standards. For example, a 2 inch or 4 inch main may be replaced by an 8 inch main, providing both an in-kind replacement plus capacity and service enhancement. Various considerations revolve around when, or whether, to exclude replacement projects. A conservative perspective would exclude any projects which purely replace a facility without upgrade, and exclude an allocated share of projects which combine replacement and improvement elements. We have adopted such an approach in this review, as described below. However, it is worth noting that many systems do not incorporate these steps into their computation.

The total cost of the 6-year capital improvement program equals \$38.7 million, out of which, based on our evaluation, about \$0.6 million is for strictly repair and replacement projects and therefore is deducted from the future cost basis. This is to avoid charging for both an existing facility and its equivalent replacement. An additional \$5.3 million of the 6-year CIP is for new water supply costs from the City of Tacoma, which is also deducted from the future cost basis but is later used to calculate the new water supply component of the total SDC (component (c), see below).

Out of the remaining \$33 million, \$12 million is designated for pipe replacements and other projects that likely include both repair and replacement (R&R) and expansion/upgrade cost components. Under our recommended approach, we have recognized that these projects, while increasing system capacity, also replace existing assets included in the fixed asset base. We have therefore developed an adjustment to the system cost based on estimated original cost of replaced assets, plus related accumulated interest. Since utility fixed asset records rarely allow direct matching of assets with replacement projects, and the City of Bonney Lake's specifically do not, we developed an estimate of the original value of the infrastructure being replaced by these projects, and then subtracted this value as an offset to the total future cost of replacements. The value of replaced infrastructure was estimated by using the cost of these replacement assets (\$12 million) to estimate the original cost of these assets based on the ENR construction cost index history and assumed age of fifty years for the replaced infrastructure. For this adjustment, accumulated interest on existing assets was also reduced commensurate with 10 years of interest accumulated on any such retiring assets.

For a six-year CIP horizon, this R&R retirement provision equals about \$1.65 million. After subtracting the R&R project costs (0.6m), new water supply costs (\$5.3), and R&R retirement provision of replacement/expansion costs (\$1.65m), the net future cost basis of the utility is \$31.75 million for the 6-year CIP horizon.

In the 20-year CIP, the total cost of the capital improvement program equals \$70.5 million, of which \$1.85 million is for purely R&R projects and therefore deducted from the applicable cost basis. \$12.2 million of the 20-year CIP is designated towards the new water supply costs from the City of Tacoma, and, as in the 6-year calculations, this amount is also deducted from the future cost basis of the utility, but is later used for calculating the new water supply component (c) of the total SDC.

The R&R retirement provision of the 20-year CIP is estimated based on the ENR index as described above under the 6-year section. This method yields the retirement provision of about \$3.66 million out of the total replacement/expansion future infrastructure cost of \$20.5 million. After subtracting the R&R project costs (1.85m), new water supply costs (\$12.2), and R&R retirement provision of

replacement/expansion costs (\$3.66m), the net future utility cost basis to be included in the SDC calculation equals \$54.7 million over the next 20 years.

These 6-year and 20-year future cost bases of \$31.75 million and \$54.7 million are added to the existing cost bases of the utility under different alternatives to determine the total cost bases, without water supply assets, allocable to the appropriate utility customer base. The total utility cost bases and resulting SDC under each alternative method are described below.

### **New Water Cost Basis**

Another component shared by all of the alternative SDC calculations is the new water supply charge. As mentioned above, water supply asset costs, both existing and future, were deducted from the rest of the utility's existing and future cost bases in order to better allocate these costs to the customers that are being served by them. This approach avoids charging new customers for supply infrastructure and assets serving the existing customers, while at the same time allocates the entire cost of future additional water supply to the future customers only, because these costs are directly incurred to serve growth. This method avoids dilution of the benefits of less expensive existing water supply costs over the entire utility customer base, and recovers the higher cost of new water supply equitably from future customers.

As described above, new water supply costs were identified from the utility's capital improvements project list, and consist of payments to the City of Tacoma for future water supply, as well as infrastructure costs to connect to this supply source. The new water supply costs amount to \$5.3 million for the 6-year period, and \$12.2 million over the 20-year period. These costs, when allocated to the future customer base of 3,353 (6-year) and 6,706 (20-year) equivalent residential units result in the new water supply component of the SDC of \$1,589 and \$1,816, respectively. These components are added to the other two (existing cost basis (a) and future costs basis (b)) to determine the total SDC under each alternative.

### **Existing Cost Basis**

As mentioned above, the future cost basis of the SDC (b) and new water supply component of the SDC (c) are shared by the alternative SDC calculations. The only component that varies among these alternatives, based on the methodology used to estimate it, is the existing cost basis of the SDC. The sections below describe the methodologies used in estimating the existing asset cost bases and calculations of SDCs for each alternative. The following alternatives are developed:

- ❖ Alternative 1 uses the "net replacement cost" approach in estimating the value of existing assets and subsequently the applicable existing asset base that is recovered through SDC. This approach uses replacement cost of existing assets, less depreciation, as the basis for the cost of the existing system. Nationally and throughout the industry, this is one of the most commonly used approaches to establishing an existing cost component for the SDC.
- ❖ Alternative 2 relies on an original cost approach as the basis for the cost of the existing system. A calculation of interest (up to 10 years and not to exceed the original cost in aggregate per the statute) is then added based on the applicable interest rate when constructed.
- ❖ Alternative 3 assumes that growth pays for growth and thus disregards the existing cost basis entirely by calculating the SDC based entirely on future capital costs and future number of customer equivalents.

As the term implies, the net replacement cost approach (Alternative 1) does not rely on the original cost of utility capital assets but tries instead to determine the value of capital assets by estimating the cost of

replacing these assets in present time, and then deducting the accumulated depreciation based on each asset's age from this value. The net replacement cost approach effectively attempts to estimate the existing value of the utility, and then allocates this value to the utility customers through SDC. The advantage of this method over the original cost method is that it provides a more accurate estimate of the utility's real present value and consequently allocates this value among the existing and future customers more equitably. However, this approach also relies on replacement cost estimates without taking into consideration the actual original cost, outside contributions, and other factors that could have mitigated the financial impact on the utility's existing customers. This approach could as a result potentially overestimate the amount of equity that the existing customers have in the system, and consequently could over-allocate the utility's real cost basis to the future customers. However, it also does not necessarily fully reflect the system cost incurred to provide future capacity, since it does not explicitly incorporate interest costs or "time value of money", and could thus understate an equitable charge. In situations where it falls within a range of reasonable outcomes that consider such factors, it could be a valuable consideration for the City Council when establishing a basis for a reasonable charge.

The original cost approach (Alternative 2) has the advantage of using the actual original cost of each asset to determine the utility's applicable recoverable SDC base, but may be relying on the cost figures that because of their age often have little relevance in calculating the utility's current real worth. Depending on the quality of records, age of assets, and adjustments made, the original cost approach could also potentially underestimate the existing cost basis of the utility, and therefore undercharge, in relative terms, future customers at the expense of the existing and past customers.

The growth only approach (alternative 3) avoids the pitfalls of the first two alternatives by simply avoiding the issue, and instead of trying to allocate the utility's existing cost basis equitably to the customers assumes that growth should pay for the costs incurred by it and therefore any new assets that are being added to the system as a result of customer growth (as opposed to repair and replacement of the existing assets) should be allocated to and recovered from the future customers only. In practice, however, it is difficult to delineate the portion of each asset that would be serving and is a direct result of the growth only. Allocating all or most of the future capital costs to future customers will likely result in recovering more than their fair share of the utility cost basis. In addition, this method assumes that future customers will not be using any of the existing utility assets, which is not a realistic assumption.

The sections below describe the specific outcomes of each SDC alternative.

### **Alternative 1: Net Replacement Cost of Existing Assets**

As stated above, this alternative is based on the estimated replacement cost of existing utility assets, net of applicable depreciation based on the assets' age. The total includes the estimated replacement cost of the entire utility water infrastructure as well as land, buildings, and machinery & equipment. These latter three components were estimated from the utility fixed asset schedule by applying ENR construction cost index escalator to the original cost of the assets, and then deducting applicable depreciation amount based on the average age of each asset class (no depreciation was deducted from land asset cost). The rest of the utility infrastructure replacement cost was provided by the City engineers and is based on the estimated cost of each asset at current construction costs (2004 cost per the May, 2005 Comprehensive Water System Plan), and depreciated based on average class ages. The result is a total depreciated replacement cost of the utility water assets of \$51 million. Out of this total, about \$17.6 million is identified as water supply asset cost, and therefore is deducted from the existing cost basis because supply SDC is calculated as a separate component. The total existing cost basis for the water utility under this alternative equals the net replacement cost of utility assets (\$51m), less water supply asset cost (\$17.6m), for a total eligible cost of \$33.4 million.

The total of the existing cost basis plus the future cost basis described in the previous sections defines the total applicable utility cost basis used for determining the water SDC (not including supply SDC). This total applicable cost basis is divided by the total applicable customer base to calculate the appropriate SDC. The total applicable cost basis (without supply assets) for the 6-year outlook of this alternative is \$65.2 million (\$33.4m existing plus \$31.75 future cost bases), and for the 20-year outlook it is \$88.1m (\$33.4m existing plus \$54.7m future cost bases)

The applicable customer base used for SDC calculation is taken from the City's May 2005 Comprehensive Water System Plan. According to the Plan, the utility served 11,585 existing residential customer equivalents as of 2004. The projected number of ERU, which includes existing and future customers, for the 6-year period is 15,807, and for the 20-year period is 19,464.

The total applicable utility cost basis for a 6-year period (\$65.2m), divided by the customer base for the 6-year period (15,807) results in a charge of \$4,124. Combined with water supply SDC described above, the total SDC to be applied to future utility customers is \$5,713 under this alternative. For the 20-year outlook, the total eligible cost basis (\$88.1m) divided by customer base (19,464) results in a charge of \$4,527. Combined with the supply component, the grand total SDC is \$6,342. The tables below summarize the SDC calculations under alternative 1.

## Capital Facilities Charge, Alt 1, Net Replacement Cost, 6 Year

### Existing Cost Basis

<b>PLANT-IN-SERVICE</b>	
Utility Capital Assets	\$ 51,009,388
less: Existing Water Supply Capital Assets	\$ (17,584,500)
less: Contributed Capital	-
less: Net Debt Principal Outstanding	-
<b>TOTAL EXISTING COST BASIS</b>	<b>\$ 33,424,888</b>

### Future Cost Basis

<b>CAPITAL IMPROVEMENT PLAN</b>	
Total Future Projects	\$ 38,743,051
less: Supply Projects	\$ (5,327,756)
less: Identified Repair & Replacement Projects	(1,657,022)
less: Contributed Future Upgrade & Expansion Assets	-
<b>TOTAL FUTURE COST BASIS</b>	<b>\$ 31,758,273</b>

<b>Customer Base</b>	<b>RCE</b>
Existing Residential Customer Equivalents	11,595
Future Residential Customer Equivalents (Incremental)	4,222
<b>TOTAL CUSTOMER BASE</b>	<b>15,807</b>

<b>Resulting Charge</b>	<b>Total</b>
Existing Cost Basis	\$ 33,424,888
Future Cost Basis	31,758,273
<b>Total Cost Basis</b>	<b>\$ 65,183,161</b>
Total Customer Base	15,807
<b>SYSTEM CHARGE, EXCL SUPPLY, PER CUST EQUIVALENT</b>	<b>\$ 4,124</b>

<b>Tacoma Water Supply Component</b>	<b>COSTS</b>
Total Future Projects	\$ 5,327,756

<b>Customer Base</b>	<b>RCE</b>
Future Residential Customer Equivalents (Incremental)	3,353

<b>Resulting Charge</b>	<b>Total</b>
<b>TOTAL NEW SUPPLY CHARGE PER CUSTOMER EQUIVALENT</b>	<b>\$ 1,589</b>

<b>TOTAL CHARGE PER CUSTOMER EQUIVALENT</b>	<b>\$ 5,713</b>
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## Capital Facilities Charge, Alt 1, Net Replacement Cost, 20 Year

### Existing Cost Basis

<b>PLANT-IN-SERVICE</b>	
Utility Capital Assets	\$ 51,009,388
less: Existing Water Supply Capital Assets	\$ (17,584,500)
less: Contributed Capital	-
less: Net Debt Principal Outstanding	-
<b>TOTAL EXISTING COST BASIS</b>	<b>\$ 33,424,888</b>

### Future Cost Basis

<b>CAPITAL IMPROVEMENT PLAN</b>	
Total Future Projects	\$ 70,520,555
less: Supply Projects	\$ (12,176,260)
less: Identified Repair & Replacement Projects	(3,664,531)
less: Contributed Future Upgrade & Expansion Assets	-
<b>TOTAL FUTURE COST BASIS</b>	<b>\$ 54,679,764</b>

<b>Customer Base</b>	<b>RCE</b>
Existing Residential Customer Equivalents	1,585
Future Residential Customer Equivalents (Incremental)	7,879
<b>TOTAL CUSTOMER BASE</b>	<b>19,464</b>

<b>Resulting Charge</b>	<b>Total</b>
Existing Cost Basis	\$ 33,424,888
Future Cost Basis	54,679,764
<b>Total Cost Basis</b>	<b>\$ 88,104,651</b>
Total Customer Base	19,464
<b>SYSTEM CHARGE, EXCL SUPPLY, PER CUST EQUIVALENT</b>	<b>\$ 4,527</b>

<b>Tacoma Water Supply Component</b>	<b>COSTS</b>
Total Future Projects	\$ 12,176,260

<b>Customer Base</b>	<b>RCE</b>
Future Residential Customer Equivalents (Incremental)	6,706

<b>Resulting Charge</b>	<b>Total</b>
<b>TOTAL NEW SUPPLY CHARGE PER CUSTOMER EQUIVALENT</b>	<b>\$ 1,816</b>

<b>TOTAL CHARGE PER CUSTOMER EQUIVALENT</b>	<b>\$ 6,342</b>
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## **Alternative 2: Original Cost of Existing Assets**

This alternative relies on the original cost of utility assets, instead of the replacement cost as in alternative 1, in determining the applicable cost basis for SDC calculation. The original cost values were obtained from the utility's latest fixed asset schedule as provided by the City. The total original cost of the utility's existing assets as of the year-end 2004 is \$41.5 million.

Note that in this case, the utility assets are not depreciated, as they are in Alternative 1. This is to remain consistent with the policy intent, and apparent statutory intent, to fully recover the cost of future capacity already borne by existing customers, plus interest as allowed by statute. This provision for interest accrual focuses the cost recovery intent on cost incurred, not value remaining, and thus full original cost would be appropriate.

Out of the asset total of \$41.5 million, about \$9.1 million is identified as water supply asset cost, and therefore is deducted from the existing cost basis because supply SDC is calculated as a separate component. Additional \$1.1 million is identified as "meters and services" category and is also deducted from the existing cost basis. Meters and services assets are excluded from the existing cost basis because individual utility customers pay for these assets when they connect to the system and thus no public investment exists in them. This leaves roughly \$31.3 million in total water system assets.

The existing cost basis also includes, in addition to the original cost of the existing assets, the interest on the existing assets. This interest is calculated by multiplying the original cost of each asset by the appropriate rate from Bond Buyer Index from the year the asset was put into operation, times the maximum of ten years or the actual number of years the asset has been in operation, whichever is less. The interest for the assets that are assumed to be retired as a result of infrastructure replacement projects in the CIP (see R&R retirement provision discussion above) is then deducted from the total calculated interest.

The total interest amount equals \$7.2 million when the 6-year CIP is used, and \$5.7 million for the 20-year CIP. Since the 20-year CIP contemplates more asset replacements and retirements than the 6-year CIP, the total interest for the 20-year CIP option is slightly less than that of the 6-year CIP, reflecting removal of corresponding interest on those retired assets.

The total existing cost basis for the water utility under this alternative equals the original cost of utility assets (\$41.5m), less water supply asset cost (\$9.1m) and "meters and services" asset cost (\$1.1m), plus applicable interest (\$7.2m), for a total eligible cost of \$38.5 million for the 6-year scenario. For the 20-year scenario, the total existing cost basis equals the original cost of utility assets (\$41.5m), less water supply asset cost (\$9.1m) and "meters and services" asset cost (\$1.1m), plus applicable interest (\$5.7m), for a total eligible cost of \$37 million. The total applicable cost basis (without supply assets) for the 6-year outlook of this alternative is \$70.25 million (\$38.5m existing plus \$31.75 future cost bases), and for the 20-year outlook it is \$91.7m (\$37m existing plus \$54.7m future cost bases).

The total applicable utility cost basis for the 6-year period (\$70.25m), divided by the customer base for the 6-year period (15,807) results in a charge of \$4,447. Combined with water supply SDC described above, the total SDC to be recovered from future utility customers is \$6,036 under this alternative. For the 20-year outlook, the total eligible cost basis (\$91.7m) divided by customer base (19,464) results in a charge of \$4,712. Combined with the supply component, the grand total SDC is \$6,527. The tables below summarize SDC calculations under alternative 2.

## Capital Facilities Charge, Alt 2, Original Cost, 6 Year

### Existing Cost Basis

PLANT-IN-SERVICE	
Utility Capital Assets	\$ 41,502,373
less: Existing Water Supply and Meters & Services	\$ (10,189,981)
less: Contributed Capital	-
plus: Interest on Non-Contributed Plant	7,220,336
less: Net Debt Principal Outstanding	-
<b>TOTAL EXISTING COST BASIS</b>	<b>\$ 38,532,728</b>

### Future Cost Basis

CAPITAL IMPROVEMENT PLAN	
Total Future Projects	\$ 38,743,051
less: Supply Projects	\$ (5,327,756)
less: Identified Repair & Replacement Projects	(1,657,022)
less: Contributed Future Upgrade & Expansion Assets	-
<b>TOTAL FUTURE COST BASIS</b>	<b>\$ 31,758,273</b>

### Customer Base

	RCE
Existing Residential Customer Equivalents	1,585
Future Residential Customer Equivalents (Incremental)	4,222
<b>TOTAL CUSTOMER BASE</b>	<b>15,807</b>

### Resulting Charge

	Total
Existing Cost Basis	\$ 38,532,728
Future Cost Basis	31,758,273
Total Cost Basis	\$ 70,291,002
Total Customer Base	15,807
<b>SYSTEM CHARGE, EXCL SUPPLY, PER CUST EQUIVALENT</b>	<b>\$ 4,447</b>

### Tacoma Water Supply Component

	COSTS
Total Future Projects	\$ 5,327,756

### Customer Base

	RCE
Future Residential Customer Equivalents (Incremental)	3,353

### Resulting Charge

	Total
<b>TOTAL NEW SUPPLY CHARGE PER CUSTOMER EQUIVALENT</b>	<b>\$ 1,589</b>

<b>TOTAL CHARGE PER CUSTOMER EQUIVALENT</b>	<b>\$ 6,036</b>
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## Capital Facilities Charge, Alt 2, Original Cost, 20 Year

### Existing Cost Basis

<b>PLANT-IN-SERVICE</b>	
Utility Capital Assets	\$ 41,502,373
less: Existing Water Supply and Meters & Services	\$ (10,189,981)
less: Contributed Capital	-
plus: Interest on Non-Contributed Plant	5,714,703
less: Net Debt Principal Outstanding	-
<b>TOTAL EXISTING COST BASIS</b>	<b>\$ 37,027,096</b>

### Future Cost Basis

<b>CAPITAL IMPROVEMENT PLAN</b>	
Total Future Projects	\$ 70,520,555
less: Supply Projects	\$ (12,176,260)
less: Identified Repair & Replacement Projects	(3,664,531)
less: Contributed Future Upgrade & Expansion Assets	-
<b>TOTAL FUTURE COST BASIS</b>	<b>\$ 54,679,764</b>

<b>Customer Base</b>	<b>RCE</b>
Existing Residential Customer Equivalents	11,585
Future Residential Customer Equivalents (Incremental)	7,879
<b>TOTAL CUSTOMER BASE</b>	<b>19,464</b>

<b>Resulting Charge</b>	<b>Total</b>
Existing Cost Basis	\$ 37,027,096
Future Cost Basis	54,679,764
Total Cost Basis	\$ 91,706,860
Total Customer Base	19,464
<b>SYSTEM CHARGE, EXCL SUPPLY, PER CUST EQUIVALENT</b>	<b>\$ 4,712</b>

<b>Tacoma Water Supply Component</b>	<b>COSTS</b>
Total Future Projects	\$ 12,176,260

<b>Customer Base</b>	<b>RCE</b>
Future Residential Customer Equivalents (Incremental)	6,706

<b>Resulting Charge</b>	<b>Total</b>
<b>TOTAL NEW SUPPLY CHARGE PER CUSTOMER EQUIVALENT</b>	<b>\$ 1,816</b>

<b>TOTAL CHARGE PER CUSTOMER EQUIVALENT</b>	<b>\$ 6,527</b>
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### **Alternative 3: Growth Only**

Alternative 3 is unique because it attempts to estimate the SDC that is purely a result of and to be recovered by future customers. In other words, this alternative does not include the utility's existing cost basis in the calculation of the total eligible cost basis, but only includes future cost basis to determine the total cost that is to be "incurred" by future customers. This future cost basis is then allocated to future customers only to determine the applicable SDC. While informative, this approach may not provide equitable charges except for wholly separate satellite systems, as it fails to consider the cost of existing infrastructure which is almost certain to provide some service and capacity to future customers.

The future cost bases for 6-year and 20-year CIP are \$20.8 million and \$36 million, respectively. The future new customer base is equal the difference between the existing customer basis (11,585) and future cumulative customer bases (15,807 for the 6-year period and 19,464 for the 20-year period), or 4,222 residential customer equivalents for the 6-year period and 7,879 ERUs for the 20-year period. Dividing the future cost bases by the future customer bases results in the SDC of \$4,924 and \$4,568.

Combined with the future water supply component of the SDC, the grand total SDCs are \$6,513 and \$6,383 for the 6-year and 20-year periods, respectively. The tables below summarize the calculation of SDCs under Alternative 3.

## Capital Facilities Charge, Alt 3, Growth Only, 6 Year

### Future Cost Basis

<b>CAPITAL IMPROVEMENT PLAN</b>	
Total Future Projects	\$ 38,743,051
less: Supply Projects	\$ (5,327,756)
less: Identified Repair & Replacement Projects	(12,627,300)
less: Contributed Future Upgrade & Expansion Assets	-
<b>TOTAL FUTURE COST BASIS</b>	<b>\$ 20,787,995</b>

<b>Customer Base</b>	<b>RCE</b>
Future Residential Customer Equivalents (Incremental)	4,222

<b>Resulting Charge</b>	<b>Total</b>
<b>SYSTEM CHARGE, EXCL SUPPLY, PER CUST EQUIVALENT</b>	<b>\$ 4,924</b>

<b>Tacoma Water Supply Component</b>	<b>COSTS</b>
Total Future Projects	\$ 5,327,756

<b>Customer Base</b>	<b>RCE</b>
Future Residential Customer Equivalents (Incremental)	3,353

<b>Resulting Charge</b>	<b>Total</b>
<b>TOTAL NEW SUPPLY CHARGE PER CUSTOMER EQUIVALENT</b>	<b>\$ 1,589</b>

<b>TOTAL CHARGE PER CUSTOMER EQUIVALENT</b>	<b>\$ 6,513</b>
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## Capital Facilities Charge, Alt 3, Growth Only, 20 Year

### Future Cost Basis

<b>CAPITAL IMPROVEMENT PLAN</b>	
Total Future Projects	\$ 70,520,555
less: Supply Projects	\$ (12,176,260)
less: Identified Repair & Replacement Projects	(22,356,300)
less: Contributed Future Upgrade & Expansion Assets	-
<b>TOTAL FUTURE COST BASIS</b>	<b>\$ 35,987,995</b>

### Customer Base

	<b>RCE</b>
Future Residential Customer Equivalents (Incremental)	7,879

### Resulting Charge

	<b>Total</b>
<b>SYSTEM CHARGE, EXCL SUPPLY, PER CUST EQUIVALENT</b>	<b>\$ 4,568</b>

### Tacoma Water Supply Component

	<b>COSTS</b>
Total Future Projects	\$ 12,176,260

### Customer Base

	<b>RCE</b>
Future Residential Customer Equivalents (Incremental)	6,706

### Resulting Charge

	<b>Total</b>
<b>TOTAL NEW SUPPLY CHARGE PER CUSTOMER EQUIVALENT</b>	<b>\$ 1,816</b>

<b>TOTAL CHARGE PER CUSTOMER EQUIVALENT</b>	<b>\$ 6,383</b>
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## APPENDIX D

Westlaw.

WA ADC 246-290-100

Page 1

WAC 246-290-100

Wash. Admin. Code 246-290-100

C

**WASHINGTON ADMINISTRATIVE CODE  
TITLE 246. HEALTH, DEPARTMENT OF  
CHAPTER 246-290. PUBLIC WATER SUPPLIES  
PART 2. PLANNING AND ENGINEERING DOCUMENTS**

Current with amendments adopted through October 3, 2007.

246-290-100. Water system plan.

- (1) The purpose of this section is to establish a uniform process for purveyors to:
- (a) Demonstrate the system's operational, technical, managerial, and financial capability to achieve and maintain compliance with relevant local, state, and federal plans and regulations;
  - (b) Demonstrate how the system will address present and future needs in a manner consistent with other relevant plans and local, state, and federal laws, including applicable land use plans;
  - (c) Establish eligibility for funding under the drinking water state revolving fund (SRF).
- (2) Purveyors of the following categories of community public water systems shall submit a water system plan for review and approval by the department:
- (a) Systems having one thousand or more services;
  - (b) Systems required to develop water system plans under the Public Water System Coordination Act of 1977 (chapter 70.116 RCW);
  - (c) Any system experiencing problems related to planning, operation, and/or management as determined by the department;
  - (d) All new systems;
  - (e) Any expanding system; and
  - (f) Any system proposing to use the document submittal exception process in WAC 246-290-125.
- (3) The purveyor shall work with the department and other parties to establish the level of detail for a water system plan. In general, the scope and detail of the plan will be related to size, complexity, water supply characteristics, forecasted demand characteristics, past performance, and use of the water system. Project reports may be combined with a water system plan.
- (4) In order to demonstrate system capacity, the water system plan shall address the following elements, as a

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WA ADC 246-290-100

Page 2

WAC 246-290-100

Wash. Admin. Code 246-290-100

minimum, for a period of at least twenty years into the future:

(a) Description of the water system, including:

- (i) Ownership and management, including the current names, addresses, and telephone numbers of the owners, operators, and emergency contact persons for the system;
- (ii) System history and background;
- (iii) Related plans, such as coordinated water system plans, abbreviated coordinated water system plans, local land use plans, ground water management plans, and basin plans;
- (iv) Service area map, characteristics, agreements, and policies; and
- (v) Satellite management, if applicable.

(b) Basic planning data, including:

- (i) Current population, service connections, water use, and equivalent residential units; and
- (ii) Sufficient water production and consumption data to identify trends including the following elements:
  - (A) Monthly and annual production totals for each source, including water purchased from another public water system;
  - (B) Annual usage totals for each customer class as determined by the purveyor;
  - (C) Annual usage totals for water supplied to other public water systems; and
  - (D) For systems serving one thousand or more total connections, a description of the seasonal variations in consumption patterns of each customer class defined by the purveyor.
- (iii) Projected land use, future population, and water demand for a consecutive six-year and twenty-year planning period within the system's service area.

(c) Demand forecasts, developed under WAC 246-290-221, for a consecutive six-year and twenty-year planning period. These shall show future use with and without savings expected from the system's water use efficiency program.

(d) For systems serving one thousand or more total connections, a demand forecast projecting demand if the measures deemed cost-effective per WAC 246-290-810 were implemented.

(e) System analysis, including:

- (i) System design standards;

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WA ADC 246-290-100

Page 3

WAC 246-290-100

Wash. Admin. Code 246-290-100

- (ii) Water quality analysis;
  - (iii) System inventory description and analysis; and
  - (iv) Summary of system deficiencies.
- (f) Water resource analysis, including:
- (i) A water use efficiency program. Municipal water suppliers must meet the requirements in WAC 246-290-810;
  - (ii) Source of supply analysis, which includes:
    - (A) An evaluation of water supply alternatives if additional water rights will be pursued within twenty years; and
    - (B) A narrative description of the system's water supply characteristics and the foreseeable effect from current and future use on the water quantity and quality of any body of water from which its water is diverted or withdrawn based on existing data and studies;
  - (iii) Water shortage response plan if a water system experiences a water shortage, or anticipates it will experience a water shortage within the next six-year planning period;
  - (iv) Water right self assessment;
  - (v) Water supply reliability analysis;
  - (vi) Interties; and
  - (vii) For systems serving one thousand or more total connections, an evaluation of opportunities for the use of reclaimed water, where they exist, as defined in RCW 90.46.010(4).
- (g) Source water protection in accordance with WAC 246-290-135.
- (h) Operation and maintenance program in accordance with WAC 246-290-415 and 246-290-654(5), as applicable.
- (i) Improvement program, including a six-year capital improvement schedule.
  - (j) Financial program, including demonstration of financial viability by providing:
    - (i) A summary of past income and expenses;
    - (ii) A one-year balanced operational budget for systems serving one thousand or more connections or a six-year balanced operational budget for systems serving less than one thousand connections;

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WA ADC 246-290-100

Page 4

WAC 246-290-100

Wash. Admin. Code 246-290-100

- (iii) A plan for collecting the revenue necessary to maintain cash flow stability and to fund the capital improvement program and emergency improvements; and
  - (iv) An evaluation that has considered:
    - (A) The affordability of water rates; and
    - (B) The feasibility of adopting and implementing a rate structure that encourages water demand efficiency.
    - (k) Other documents, such as:
      - (i) Documentation of SEPA compliance;
      - (ii) Agreements; and
      - (iii) Comments from the county and adjacent utilities.
- (5) Purveyors intending to implement the project report and construction document submittal exceptions authorized under WAC 246-290-125 must include:
- (a) Standard construction specifications for distribution mains; and/or
  - (b) Design and construction standards for distribution-related projects, including:
    - (i) Description of project report and construction document internal review procedures, including engineering design review and construction completion reporting requirements;
    - (ii) Construction-related policies and requirements for external parties, including consumers and developers;
    - (iii) Performance and sizing criteria; and
    - (iv) General reference to construction materials and methods.
- (6) The department, at its discretion, may require reports from purveyors identifying the progress in developing their water system plans.
- (7) Purveyors shall transmit water system plans to adjacent utilities and local governments having jurisdiction, to assess consistency with ongoing and adopted planning efforts.
- (8) For community systems, the purveyor shall hold an informational meeting for system consumers prior to departmental approval of a water system plan or a water system plan update. The purveyor shall notify consumers in a way that is appropriate to the size of the system.
- (9) Department approval of a water system plan shall be in effect for six years from the date of written approval

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WA ADC 246-290-100

Page 5

WAC 246-290-100

Wash. Admin. Code 246-290-100

unless:

- (a) Major projects subject to SEPA as defined in WAC 246-03-030 (3)(a) are proposed that are not addressed in the plan;
- (b) Changes occur in the basic planning data significantly affecting system improvements identified; or
- (c) The department requests an updated plan or plan amendment.

(10) The purveyor shall update the plan and submit it for approval at least every six years. If the system no longer meets the conditions of subsection (2) of this section, the purveyor shall as directed by the department, submit either a plan amendment the scope of which will be determined by the department, or a small water system management program under WAC 246-290- 105.

Statutory Authority: RCW 70.119A.180. 07-02-025B, S 246-290-100, filed 12/22/06, effective 1/22/07. Statutory Authority: RCW 43.20.050 (2) and (3) and 70.119A.080. 03-08-037, S 246-290-100, filed 3/27/03, effective 4/27/03. Statutory Authority: RCW 43.02.050 43.20.050. 99-07-021, S 246-290-100, filed 3/9/99, effective 4/9/99. Statutory Authority: RCW 43.20.050. 94-14- 001, S 246-290-100, filed 6/22/94, effective 7/23/94; 93-08-011 (Order 352B), S 246-290-100, filed 3/25/93, effective 4/25/93; 91-02-051 (Order 124B), recodified as S 246-290-100, filed 12/27/90, effective 1/31/91. Statutory Authority: RCW 34.04.045. 88-05-057 (Order 307), S 248-54-065, filed 2/17/88. Statutory Authority: RCW 43.20.050. 83-19-002 (Order 266), S 248- 54-065, filed 9/8/83.

<General Materials (GM) - References, Annotations, or Tables>

WAC 246-290-100, WA ADC 246-290-100

WA ADC 246-290-100  
END OF DOCUMENT

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## APPENDIX E

### Bonney Lake Municipal Code

#### Chapter 1.08

#### CITY CLASSIFICATION

##### Sections:

1.08.010 Classification established.

1.08.010 Classification established.

The city of Bonney Lake, having done and accomplished all things required by law in the premises, is declared to be a code city as per the provisions of RCW Title 35A. (Ord. 543 § 3, 1984; Ord. 261 § 1, 1967)

**APPENDIX F**

**Bonney Lake Municipal Code**

**13.04.070 Water service application.**

A. All applications for water service shall be made at the City Hall by the property owner or his authorized agent. The records of the Pierce County auditor shall be prima facie proof of property ownership. The applicant shall furnish the city such information as may be required on the city's application form. At the time of filing the application the applicant shall pay the fee for such water services as required in this chapter. The applicant shall agree to conform to the rules and regulations for the operation of the city's water system as set forth in Articles I, II, III and V of this chapter.

B. Water Taps. The city reserves the right to regulate the size of water taps. Taps will be made only by the Bonney Lake water department or a contractor for an approved water extension.

C. Water Service Connection Charges. All connections to the water system of the city and the charges to be paid by the property owner toward the construction thereof shall be as provided in this subsection:

1. Installation Charge. The following installation charges will be paid by the property owner as part of their connection charge at the time application is made for water service.

Meter Size	Meter Set Only	Meter Set and Service Line
5/8" - 3/4"	\$200.00	\$1,000*
1"	\$300.00	\$1,100*
2"	Actual time and materials plus indirect costs	
3"	Actual time and materials plus indirect costs	
4"	Actual time and materials plus indirect costs	
6"	Actual time and materials plus indirect costs	
*If installation involves work underneath the roadway surface, the fee shall be according to the actual time and materials plus 20 percent for indirect costs.		

2. Charge for Equitable Share of System. Each new connection to the water system shall pay as part of their connection charges their equitable share of the cost of the system according to the following schedule:

a. Residential.

i. Single-Family.

Meter Size	City and County Charge
5/8" - 3/4"	\$6,500
1"	\$10,500
1-1/2"	\$25,000
2"	To be determined on each individual case, based on the projected amount of usage and peaking expected from the customer. These charges shall reflect the value of the water for individual residential customers.
3"	
4"	
6"	

ii. Multifamily and Mobile Home Parks.

Meter Size	First Unit	Each Additional Unit	Minimum Charge
5/8" - 3/4"	\$6,500	\$5,250	N/A
1"	\$6,500	\$5,250	N/A
1-1/2"	\$6,500	\$5,250	\$25,000
2"	To be determined on each individual case, based on the projected amount of usage and peaking expected from the customer. These charges shall reflect the value of the water for individual residential customers.		
3"			
4"			
6"			

There shall be only one water meter installed for each building housing multiple residential units.

b. Nonresidential.

Meter Size	City and County Charge
5/8" - 3/4"	\$6,500
1"	\$10,500
1-1/2"	\$25,000
2"	To be determined on each individual case, based on the projected amount of usage and peaking expected from the customer. These charges shall reflect the value of the water for individual residential customers.
3"	
4"	
6"	

c. The charges set out in this subsection (C)(2) shall not be applicable to an accessory dwelling unit permitted pursuant to BLMC 18.22.090, so long as a second or larger water meter is not required by applicable codes or requested by the owner. Should the property upon which an accessory dwelling unit is located be sold, platted or otherwise segregated from the property upon which the primary residence is located, and, because of the exemption provided for in this subsection, the owner of the accessory dwelling unit did not previously pay a full, separate connection charge including equitable share charge for the accessory dwelling unit, then the following shall apply:

i. If no additional connection charge was paid for the accessory dwelling unit, the owner of the segregated accessory dwelling unit shall be required to pay a connection charge, including single-family equitable share charge, in the amounts provided for in this section at the time of segregation. A new water meter will be provided.

ii. If a reduced connection charge was paid for a second or larger meter and/or connection for the accessory dwelling unit, the owner of the segregated accessory dwelling unit shall be required to pay the difference between that reduced charge and the amount of the connection charge, including single-family equitable share charge, provided for in this section at the time of segregation. A new water meter will be provided if necessary.

d. When a duplex has only one water meter installed, multifamily equitable share charges shall apply. When a duplex has two meters installed, two full single-family equitable share charges shall apply.

e. CPI Adjustment. Beginning January 1, 2006, and for every year thereafter, the installation and connection charges listed in this section shall be adjusted by the annual change in the most recent

Seattle-Bremerton-Tacoma Consumer Price Index (Urban Consumers) published by the U.S. Department of Labor.

f. These charges are to apply in all cases where distance from the water main to the meter location does not exceed 60 feet. In such cases where the distance is over 60 feet there shall be an additional fee, based on cost of labor and materials.

g. Property Owner's Responsibility. Property owners are responsible for all leaks or damage due to leaks from privately installed and owned water lines. The property owner shall install and maintain at his own expense all water service from the water meter to the place of use. (Ord. 1221 § 2, 2007; Ord. 1220 § 1, 2007; Ord. 1192 § 1, 2006; Ord. 1100 § 1, 2005; Ord. 1094 § 1, 2005; Ord. 1083 § 1, 2004; Ord. 1073 § 1, 2004; Ord. 968 § 1, 2002; Ord. 919 § 1, 2001; Ord. 828 § 2, 1999; Ord. 763 § 1, 1998; Ord. 692A §§ 1, 2, 1994; Ord. 692 § 2, 1994; Ord. 588 § 5, 1987).

#### **13.04.080 Water bills – Payment and collection.**

A. Inasmuch as the city provides year-round facilities for supplying water and collecting wastewater, all users will be billed on a continuing basis for the water and sewer availability. Billings will terminate upon disconnection from the system. Service will not be resumed until payment of the restoration fee as per BLMC 13.04.091(D)(1).

B. Billing will be done on a monthly basis for the water availability portion of the charge. Meters will be read bimonthly and water consumption billed thereafter.

C. Charges for utility services shall be due and payable on or before the tenth day following the date of billing. Amounts unpaid shall become delinquent 60 days after the billing date. A monthly penalty of two percent of the outstanding balance shall be charged to all accounts which have been delinquent for 60 days or more.

D. The Bonney Lake water department is authorized to discontinue the water service 30 days after the date of delinquency. The person responsible for payment of charges shall be notified by mail on or after 15 working days from the date of delinquency of a selected shutoff date. In order to have a disconnected service turned on all charges plus the turn-on fee of \$25.00 must be paid.

E. The owner of the premises to which the water service is attached shall be responsible for the payment of all connections, shutoffs, turnon, service charges and liens. Utility billings for any property occupied by someone other than the owner shall be billed to the owner care of the tenant only upon the written request of the owner; provided, however, even upon such written request being made, the owner shall remain responsible for the payment of all charges under this chapter.

F. The city is authorized to establish payment plans for delinquent water customers meeting standard city guidelines for financial hardship. Such guidelines may be adopted and revised from time to time by the finance director. Where such plans take the form of a written agreement, such agreements shall either be approved by the council or be in a standard form agreement previously approved by the council for future use. (Ord. 871 § 1, 2001; Ord. 768 §§ 1, 4, 1998; Ord. 588 § 6, 1987).

**13.04.090 Miscellaneous charges.**

Repealed by Ord. 1151. (Ord. 826 § 13, 1999; Ord. 662 § 1, 1993; Ord. 588 § 7, 1987).

**13.04.091 Utility miscellaneous charges.**

**A. Turn-On Charge.**

1. Whenever utility service has been discontinued by the city for past due or a violation of any other provision of this chapter, the service will not be renewed until all charges plus the turn-on fee have been paid, provided a payment plan has not been established.
2. When it is desired to have the water turned on after it has been turned off for any reason other than past due, a charge of \$50.00 for such turn-on during the normal working hours of 8:00 a.m. to 4:00 p.m., Monday through Friday, and for the city's actual cost for all other hours. There is no charge for turn-off of customer water service.
3. This section shall not apply to disconnected service for violation of water shortage emergency as per BLMC 13.04.060.

**B. Meter Testing Charge.**

1. Where there is a question of the accuracy of a water meter and the customer requests a check of the meter, the following shall apply:
  - a. If the meter reads correctly, the customer shall pay \$50.00.
  - b. If the meter does not function properly, the city will repair or replace the meter at no expense to the customer and adjust the water consumption charge accordingly and sewer volumetric charge if applicable.

**C. Transfer Charge.**

1. For any change of property ownership, there is a charge of \$35.00; for a duplicate bill sent to an alternative address, there shall be a \$45.00 setup charge per request. However, the property owner shall be responsible for payment of the utility bill in accordance with this chapter. Any other read outside the billing cycle will have a \$45.00 charge. Requests for estimated finals will be in writing and a charge of \$5.00 per request will be applied to the current owner's utility account.

**D. Restoration Charge.**

1. Billings will only terminate upon disconnection from the system as defined in BLMC 13.04.080(A).
2. The restoration charge will be calculated by 10 percent of the new connection fee for the first year with each consecutive year adding an additional 10 percent up to 10 years after which a new connection fee will be required.

E. Fire Flow and Water Availability Certificate Completion Charge.

1. The following fee schedule applies to complete fire flow and water availability forms for submission to Pierce County or other entities or jurisdictions:

No testing required, all info available at City Hall \$50.00

Testing required, info not available at City Hall \$150.00

Fire flow analysis, if required \$400.00

F. If a lock has been removed from a meter that has been locked off for any reason, a \$100.00 fee will be charged in addition to any utility charges due and payable. If the meter or meter setter is damaged by this action, the property owner will be charged for the labor and materials to repair the service.

G. A returned check charge shall be imposed upon any account who, in full or partial payment of a city utility bill, tenders a check which is returned to the city for any reason.

H. Miscellaneous Charges.

1. Change of ownership \$35.00
2. Returned check charge \$35.00
3. Payment plan setup charge \$15.00
4. Read outside standard cycle \$45.00
5. Estimate final (per request) \$5.00

(Ord. 1151 § 2, 2005).

**13.04.100 Water rates.**

A. Discount for Senior Citizens and Disabled Persons. Owners of single-family residences who have qualified for real estate property tax exemption through the Pierce County assessor-treasurer's office on the basis of age and/or disability, and who present proof thereof to the appropriate authority of the city, shall qualify and be entitled to a reduced water rate as may, from time to time, be set by the city council and established as a 50 percent reduction from the water availability charge.

B. Water Availability Charge - Monthly - Within City Limits.

Water Availability Charge

Meter Size	Effective Beginning 1/1/05	Effective Beginning 1/1/06	Effective Beginning 1/1/07
5/8" - 3/4"	\$11.30	\$13.00	\$14.90
Qualified Senior, 5/8" - 3/4"	See Subsection A.		
1"	\$18.75	\$21.55	\$24.80
1-1/4"	\$37.25	\$42.85	\$49.25
1-1/2"	\$37.25	\$42.85	\$49.25
2"	\$59.60	\$68.50	\$78.80
3"	\$112.00	\$128.50	\$147.70
4"	\$186.00	\$214.00	\$246.00
6"	\$372.00	\$428.00	\$492.00

The consumption charge per 100 cubic feet (CCF), or any part thereof used, shall be as follows:

Effective Beginning January	2005	2006	2007
Winter			
0 - 10 CCF per month	\$0.78	\$0.90	\$1.03
Over 10 CCF per month	\$1.55	\$1.78	\$2.05

Winter rates will be reflected on bills covering October 1st through May 31st

Summer			
0 - 10 CCF per month	\$0.78	\$0.90	\$1.03
Over 10 CCF per month	\$2.65	\$3.05	\$3.50

Summer rates will be reflected on bills covering June 1st through September 30th

C. Water Availability Charge - Monthly - Outside City Limits.

Water Availability Charge

Meter Size	Effective Beginning 1/1/05	Effective Beginning 1/1/06	Effective Beginning 1/1/07
5/8" - 3/4"	\$14.60	\$16.80	\$19.30
Qualified Senior, 5/8" - 3/4"	See Subsection A.		
1"	\$24.25	\$27.90	\$32.10
1-1/4"	\$48.40	\$55.70	\$64.00
1-1/2"	\$48.40	\$55.70	\$64.00
2"	\$77.40	\$89.00	\$102.35
3"	\$145.10	\$166.90	\$192.00
4"	\$242.00	\$278.00	\$320.00
6"	\$472.00	\$542.50	\$624.00

The consumption charge per 100 cubic feet (CCF), or any part thereof used, shall be as follows.

Effective Beginning January	2005	2006	2007
<b>Winter</b>			
0 - 10 CCF per month	\$1.13	\$1.30	\$1.50
Over 10 CCF per month	\$2.25	\$2.58	\$2.97

Winter rates will be reflected on bills covering November 1st through June 30th

**Summer**

0 - 10 CCF per month	\$1.13	\$1.30	\$1.50
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Over 10 CCF per month                      \$3.84              \$4.42              \$5.08

Summer rates will be reflected on bills covering July 1st through October 31th

D. Commercial summer rates will be reflected on the bills covering July 1st through October 31st. Winter commercial rates will be reflected on the bills covering November 1st through June 30th.

E. Multiple Residential Units.

1. The water availability charge for a connection serving multiple residential units shall be the availability charge set forth above, multiplied by the number of dwelling units connected to the meter, as follows:

a. Each duplex unit will be billed as though separately connected to the water main, based on five-eighths- or three-quarters-inch meter rates.

b. In the case of apartment/trailer courts having one meter, each unit will be billed as though separately connected to the water main, occupied or not, based on five-eighths- or three-quarters-inch meter rates.

c. In the case of building lots which have been granted a conditional use permit to allow more than one dwelling on one service meter, each dwelling unit will be billed as though separately connected to the water main, based on five-eighths- or three-quarters-inch meter rates.

2. The consumption charge provided for in this section shall be applied to multiple residential units as provided for above, except that the lower consumption charge rate shall be applied to the first "X" CCF per month, where "X" is the number of units served by the connection multiplied by 10. All consumption greater than that threshold will be charged the higher consumption charge rate.

3. There shall be only one water meter for each building housing multiple residential units.

F. Multiple Commercial and Industrial Buildings. Where all commercial or industrial buildings connected to a single service are used in the same business under single management, billing shall be made as for a single building.

G. Demand Charge.

1. Private fire hydrants, stand pipes, fire sprinkler systems, etc., shall have a monthly charge of \$3.00.

2. Special purpose use of water from fire hydrants or stand pipes shall be \$10.00 plus \$1.00 per 100 cubic feet for all water used inside the city limits and \$14.00 plus \$1.44 for all water used outside the city limits.

3. Where the water meters are shut off, the monthly charge will be \$5.00 within the city limits and \$6.90 outside the city limits.

4. Where unusual circumstances prevent a meter reading, water consumption will be estimated at an average of 1,000 cubic feet per month.

H. Leakage - Rate Reduction.

1. In the event that there is a leak in the water service line on the property owner's side of the water meter; and

2. That after the service line is repaired by the owner and upon written request by the property owner, the city water department will make an adjustment in the water bill;

3. The adjustment shall be two-thirds of that portion of the customer's water bill which is over the average normal water usage. The adjustment shall be limited to the period of 90 days prior to the repair of the leak and inspection thereof.

4. Only one leakage adjustment will be allowed in any two-year period. Additional leaks will require on-site inspection and verification of repairs.

I. Irrigation Meters.

1. New multifamily (three or more units) and nonresidential connections shall be required to install a separate meter for irrigation use, effective January 1, 2005.

2. Existing multifamily (three or more units) and nonresidential connections shall be required to install a separate meter for irrigation use no later than January 1, 2007.

3. There shall be no availability charge applicable to irrigation meters. The commodity charge shall be 25 percent greater than the applicable commodity charge for non-irrigation usage that exceeds 10 CCF per month (the "tailblock"). (Ord. 1129 § 2, 2005; Ord. 1101 § 1, 2005; Ord. 1046 § 1, 2004; Ord. 907 § 1, 2002; Ord. 828 § 3, 1999; Ord. 763 § 2, 1998; Ord. 692A § 3, 1994; Ord. 588 § 9, 1987).

**13.04.105 Annual rate review.**

The city council shall conduct an annual review of the revenue requirements of the city water utility for the purpose of determining whether adjustments in the rates are necessary. (Ord. 692 § 4, 1994).

Article III. Regulations

**13.04.110 General regulations.**

A. All ordinances and water regulations shall be effective in the city and the water service area.

B. All water connections shall be metered.

C. Where more than one water connection supplies a premises, the consumption of water measured by each meter shall be computed and billed separately.

D. Unless otherwise stated in Article I, II, III or V of this chapter, each and every occupancy or use shall be served by a separate connection and shall be billed separately.

E. No new application for water connection will be honored until a septic tank permit or a sewer connection permit has been procured from the Pierce County health department or the city.

F. New water connections will be charged the minimum water availability charge beginning on the date of installation.

G. All water connections and all charges connected therewith are the responsibility of the owner of the property served.

H. Every water connection within the city limits shall be provided with garbage service as per Chapter 8.04 BLMC and its amendments. Garbage, sewer and water charges will be billed together. Any delinquency in garbage or sewer bills shall be deemed a delinquency as to water service.

I. All water taken or appropriated for use within the city shall be taken or appropriated from the municipal water supply of the city, pursuant to appropriate connections thereto in conformity with the ordinances of the city.

J. All buildings or structures within the city, designed, intended or actually used for human occupancy shall contain such plumbing as may be required by the appropriate provisions of the building code of the city, and shall be connected to the aforesaid municipal water utility of the city.

K. No building permit shall be issued unless and until a connection charge is paid to the aforesaid municipal water utility of the city in cases where it is appropriate under BLMC 13.04.030 and 13.04.070. If the building permit expires through suspension or abandonment under BLMC 15.04.081, the connection charge shall be refunded at the request of the applicant; provided, that if the applicant re-applies for a new permit pursuant to BLMC 15.04.081, the connection charge shall be re-calculated at current rates and the amount of the connection charge already paid and not refunded may be credited toward the new connection charge.

L. At such time as a property owner connects to city water service, through either development, new construction or when a property owner with a well chooses to connect to public water, the well must either be abandoned or deeded to the city.

M. Any property used or occupied in violation of the provisions of Articles I, II, III and V of this chapter shall be brought into conformity with the provisions hereof within 90 days of the effective date of the ordinance codified in this chapter. (Ord. 1230 § 20, 2007; Ord. 892 § 1, 2001; Ord. 588 § 3, 1987).

#### **13.04.120 Water meters.**

A. All meters provided and installed on water service connections shall be and remain the property of the city and shall be removed only by the city.

B. The city will maintain and repair all domestic and commercial services to and including the meter when rendered unserviceable by ordinary use and will replace meters periodically when necessary.

C. Where replacements, repairs or adjustments to any meter are made necessary by improvements to the premises or by the willful act, neglect or carelessness of the owner or occupant of the premises served, all expenses of such replacement, repairs or adjustments incurred by the city shall be borne by the water customer. (Ord. 588 § 10, 1987).

#### **13.04.130 Tampering.**

Repealed by Ord. 1151. (Ord. 588 § 11, 1987).

#### **13.04.131 Defrauding a public utility - Statutes adopted by reference.**

RCW 9A.61.010, 9A.61.050, 9A.61.060 and 9A.61.070 are hereby adopted by reference. (Ord. 1151 § 4, 2005).

#### **13.04.140 Special use of water.**

A. Contractors, land developers and similar users shall be charged for water use at commercial rates as provided in BLMC 13.04.100.

B. Users desiring to install additional fire protection systems, auxiliary hydrants, etc., within their property will be subject to such additional expense as may be required by the city in the case of such installations. The cost of these installations, including a detector-check meter will be borne by the user desiring this type of protection. (Ord. 588 § 12, 1987).

#### **13.04.150 Water system extension.**

A. If a developer or other person desires to extend the water system he may do so under contract with the city and at his own expense; provided, he can comply with all the standards and conditions and other requirements of the city.

B. All developers shall furnish the city complete plans, cost estimates and specifications for the proposed extension of water service. Inspection of the construction will be by the city public works director or his designee, the cost of which shall be paid by the developer. The developer may consult the city public works director, prior to designing a water system in order to expedite such design. The public works director may determine that the city will contract directly with a consultant for a review of the developer's extension or installation plans and may bill the cost of such consultant to the developer. The public works director shall advise the applicant of the estimated costs of the inspection and review prior to the incurring of those costs; the applicant shall post bond, or otherwise ensure payment of such costs.

C. The city reserves the right to approve or reject any developer's extension or installation. All materials shall be new and bills of materials and evidence of payment of all bills and other necessary data will be required prior to the acceptance of the new water system extensions. Prior to

acceptance by the city the developer must convey the extension to the city together with all necessary easements before actual connection.

D. All persons or local improvement districts desiring to extend water mains in the water service area must do so under the supervision of, and as directed by the public works director. All such extensions must be carried across the full width of the property being served except in those cases, where, in the opinion of the public works director, the utility involved can never, under any circumstances, be extended beyond the property being served.

E. Where a water main is extended along a street at the expense of the property owner or owners on the portion of the street only, or where such a line is extended through property not to be currently served and not contributing to the cost of the line, the person or persons paying said costs may be reimbursed by the noncontributing property owners at the time these owners connect to the water main, as per the provisions of RCW 35.91.020.

F. Service to properties that are not on a water main and can only be serviced by a long extended service line is not allowed. (Ord. 588A § 1, 1994; Ord. 588 § 13, 1987).

#### **13.04.160 Use of hydrants.**

A. It is unlawful for any person other than properly authorized employees of the city or Pierce County Fire Protection District No. 22 to operate fire hydrants and hose outlets unless arrangements have been made with the city for payment for such water and written permission has been granted by the fire chief of Pierce County Fire Protection District No. 22.

B. When it is deemed necessary, the city will furnish an inspector to operate a fire hydrant or hose connection to avoid damage and to obtain the necessary information for computing the volume of water consumed. Water supplied, together with the expense for the services of the inspector and equipment furnished, will be charged at the city's cost. (Ord. 851 § 12, 2000; Ord. 588 § 14, 1987).

#### **Article IV. Water Service Cross-Connections**

##### **13.04.170 Inspection and right of access.**

Authorized employees of the city water system with proper identification shall have free access at reasonable hours of the day, to all parts of a premises or within buildings to which water is supplied. Water service may be refused or terminated to any premises for failure to allow necessary inspections. (Ord. 577 § 5, 1986).

##### **13.04.180 Responsibility of customer.**

Water service to any premises shall be contingent upon the customer providing cross-connection control in a manner approved by the city water system. (Ord. 577 § 3, 1986).

#### **13.04.190 Prohibited.**

The installation or maintenance of any cross-connection which would endanger the water supply of the city water system is prohibited. Any such cross-connection now existing or hereafter installed is declared unlawful and shall be adapted immediately. (Ord. 577 § 1, 1986).

#### **13.04.200 Citation of specific standards.**

The control or elimination of cross-connections shall be in accordance with WAC 248-54-275. The policies, procedures and criteria for determining appropriate levels of protection shall be in accordance with the Accepted Procedures and Practice in Cross Connection Control Manual- Pacific Northwest Section-American Waterworks Association, Third Edition, or any superseding edition. (Ord. 577 § 2, 1986).

#### **13.04.210 Backflow devices.**

Backflow devices required to be installed shall be a model approved by the State Department of Social and Health Services. (Ord. 577 § 4, 1986).

#### **Article V. Enforcement**

#### **13.04.220 Violation - Penalty.**

Any person, firm or corporation willfully violating any of the provisions of Articles I, II and III of this chapter is guilty of a misdemeanor. Said person, firm or corporation shall also be subject to the provisions of RCW 80.28.240 providing for civil damages. (Ord. 588 § 16, 1987).