

EWUA MISSION STATEMENT

Eastsound Water Users Association is a service-oriented association whose goal is to utilize all available resources to insure that an adequate and consistent supply of safe and palatable water is provided to its members.

EASTSOUND WATER USERS ASSOCIATION

Dec 8th Membership
Meeting

TONIGHT'S AGENDA

- Meeting ObjectivesBrian Ehrmantraut
 - Summary of Key PointsJohn MacLeod
 - Guest House History and Status ...Paul Kamin
 - Rate Structure Options Paul Kamin
 - Question & Answer SessionBrian Ehrmantraut
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WHAT MEMBERS HAVE ASKED FOR

1. More Information on Guest House Upgrade Initiative
 2. 6 month delay in Guest House Initiative
 3. Explore Rate Structures more strongly linked to consumption
 4. Annual Meeting of the Association
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EWUA INTEREST IN G.H.

- Equitable application of policies to all members
 - Complying with DOH regulations
 - Timely completion of 2015 Water System Plan
-

AGENDA

Guest Houses

- Regulatory Environment/Policy
 - GH Impact on Water System
 - History Of GH.
 - Current Upgrade Efforts
 - Q&A
-

EQUIVALENT RESIDENTIAL UNITS CONCEPT

- ERU system is DOH's method of quantifying water system capacity.
- An ERU is the average annual water use of a single family home. Each home represents 1.0 ERU.
- Each ERU requires approx. 45,000 gal/yr. of water production capacity be developed & maintained.
- In the 2009 Water System Plan DOH approved EWUA for 1341 ERUs

STATE DOH POSITION ON GUEST HOUSES

- “Guest Houses are considered to be a full ERU relative to the water system’s connection limit unless the water system justifies a reduced capacity allotment for the second residential structure. Specifically, a primary residential unit and a guest house on a single parcel are equal to two (2) ERU’s or two connections on the water system for system capacity purposes. (DOH Letter 10/15/14)”

STATE DOH POSITION ON GUEST HOUSES

EWUA has history of working with DOH to have the actual ERU's required for Guest House minimized.

EWUA's ERU system for monitoring capacity is required in the DOH Water System Design Manual since at least 1996.

S. J. COUNTY GUEST HOUSE DEFINITION

- “Accessory dwelling unit (ADU)” means a living area that is accessory to the principal residence, located on the same lot, and that provides for sleeping quarters, kitchen, and sanitation facilities. An ADU may be internal, attached or detached.

S. J. COUNTY KITCHEN DEFINITION

- “Kitchen” means a room used for cooking or preparing food

(Ord. 26-2012 § 10; Ord. 2-1998 Exh. B § 2.3)

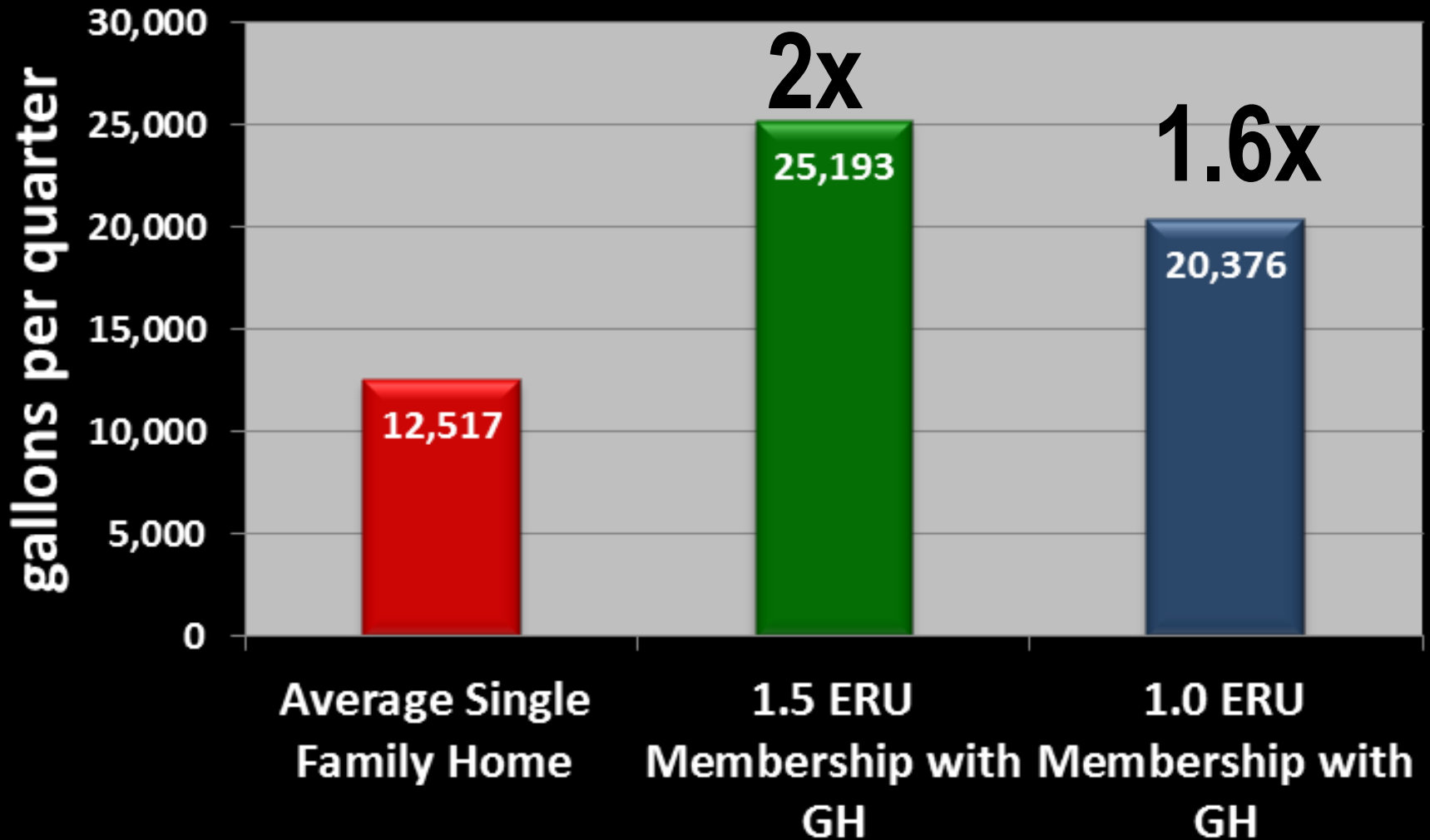
EWUA DEFINITION OF GUEST HOUSE

- Guest house: A separate living unit that includes a bathroom and provisions for cooking and eating and will require a separate membership. This term also includes an apartment, trailer, mobile home, etc. It is irrelevant whether or not the guest house is provided to others for rent, lease, or other consideration. (Glossary of Terms pg. 4) (continuously from 2000-2014)
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OTHER UTILITY POLICIES ON GUEST HOUSES

- Doe Bay, Rosario, Roche Harbor, 200+ San Juan County Group B water systems all require a property with 2 living units to have 2.0 ERU.
- Friday Harbor does not allow guest houses in single family home residential zoning.
- Eastsound Sewer requires a full 2nd connection for 2nd living units.

SUMMER 2014 GUEST HOUSE WATER USE



EWUA FACTS

- EWUA has required upgraded membership on properties with 2nd living units since 1980.
 - EWUA policies regarding Guest House/2nd living units are **NOT NEW**, little has changed since ERU system created in 2000.
-

EWUA FACTS 2

- EWUA's Single Family membership agreement clearly precludes service to 2nd Living Unit.
- Prior to 2014 EWUA had 2 dozen documented/upgraded memberships for 2nd Living Units, paying for the additional capacity required.

PAST GUEST HOUSE COMPLIANCE EFFORTS

- Required in Membership Sales Process
 - Membership Agreements
 - Certificate of Water Availability
 - Members contacted when GH. Found
 - Monitor Real Estate Adds
 - On Site Inspections prior to sale
-

GUEST HOUSE UPGRADE INITIATIVE

- 9/14 - Initial Letter Sent
 - 10/14 - Email to Membership responding to social media comments
 - 11/14 - Follow Up Letter Sent to likely GH owners.
 - 12/14 - Membership Meeting
 - 12/31/14 - 50% Discount Offer Expires
-

GUEST HOUSE UPGRADE INITIATIVE PROCESS

- 1/15 - Board Reviews Upgrade Applications
- 2/15 - Members noticed of Application Decision
- 3/15 - New Membership Agreements Sent
- 5/15 - Agreements and Initial Payment Due
- 5/20/15 - Upgrades Applied to members billing

UNDOCUMENTED GUEST HOUSE OPTIONS

- Grandfathering – if member purchased membership prior to 1980 and developed both living units prior to 1980.
- EWUA will provide upgrade at no cost to member who has GH but no signed membership agreement.

UNDOCUMENTED GUEST HOUSE OPTIONS

- Member can alter property so that it does not meet the definition of a Guest House.
- Member can upgrade prior to Dec 31st at 50% discount (\$3,000 for 0.5 ERU)

UNDOCUMENTED GUEST HOUSE OPTIONS

- Payment plan option has been created. \$1500, \$800, \$800
- Alternative plans can be negotiated.

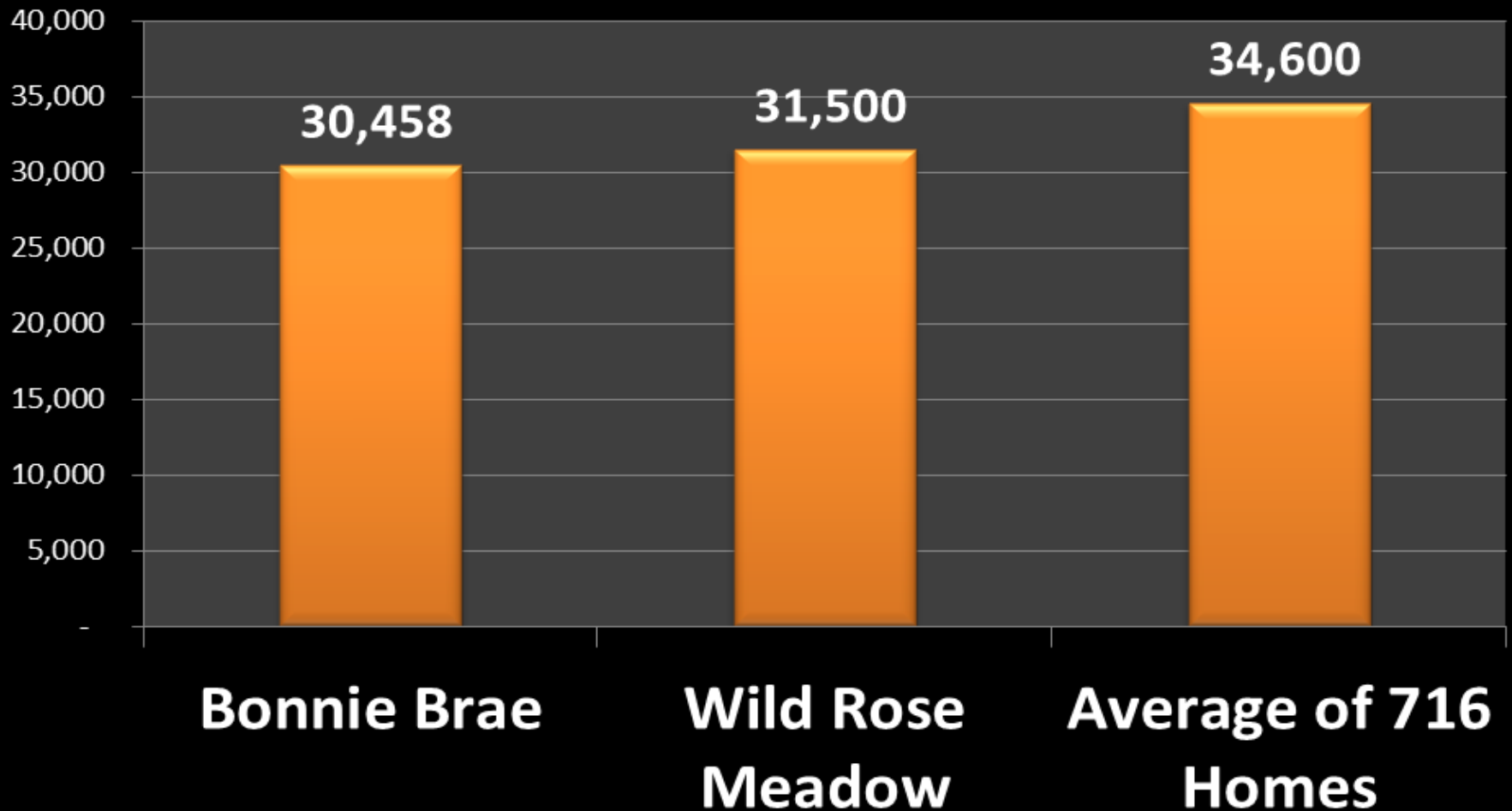
GUEST HOUSE CONCLUSIONS

- EWUA's policies on G.H. are **NOT NEW**
 - EWUA's approach is **MORE FAVORABLE** to Guest House Owners than most other system
 - EWUA's current efforts are **SUPPORTED** in **BYLAWS**.
 - EWUA's application of the policies and timeline is **REASONABLE**.
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GUEST HOUSE QUESTIONS

HOW DOES SIZE OF HOUSE IMPACT WATER USE?

Water Use/Home (gal/year)



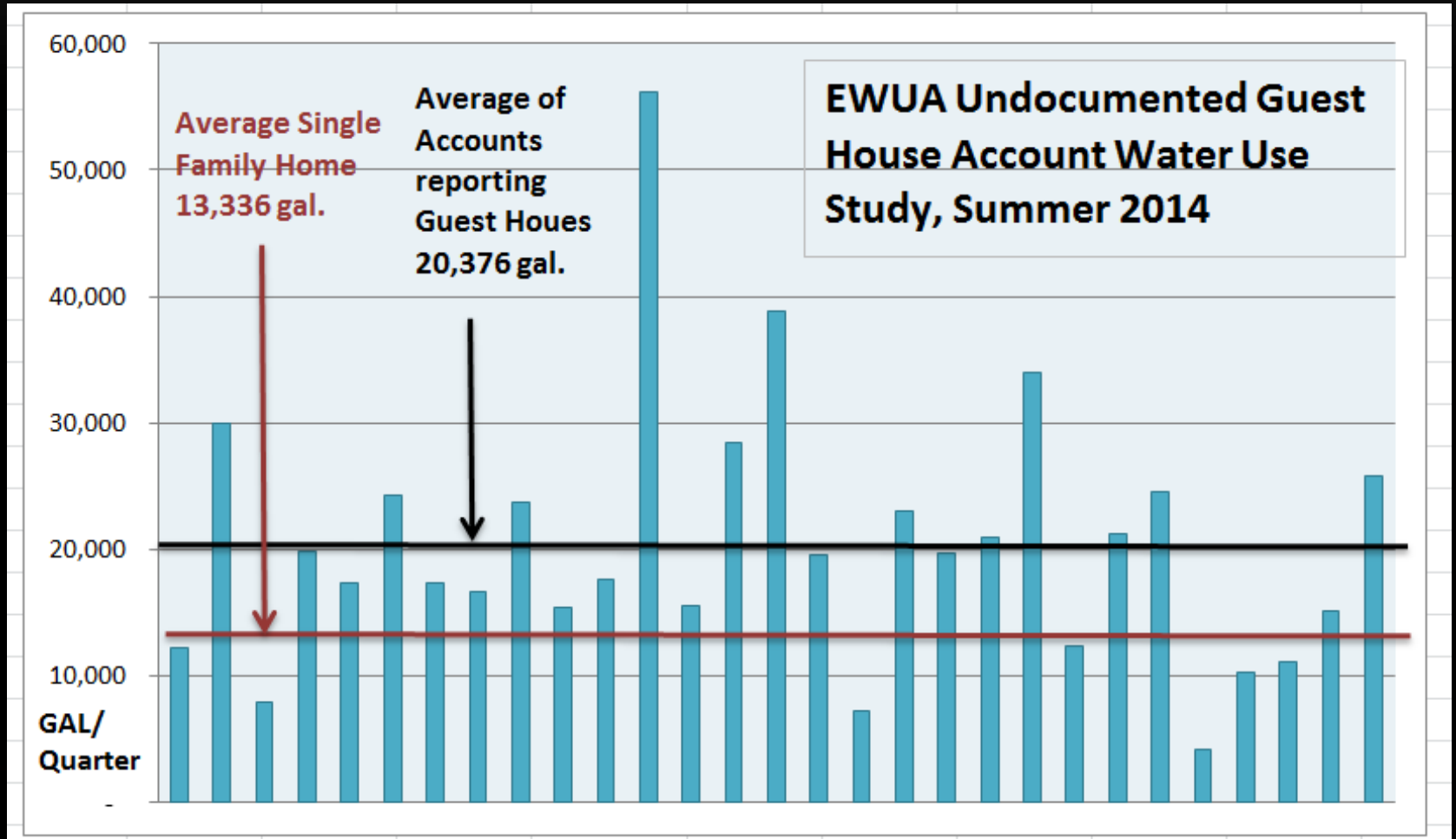
GUEST HOUSE POLICY ENFORCEMENT

- **Jan Board Meeting** - Review list of possible, but undocumented, Guest Houses that have not responded to GH Upgrade Initiative.
- **Early Feb** - EWUA sends certified letter to possible undocumented Guest House owners requesting membership review. The Letter details reasons for EWUA's concern, and requests response within 10 day.
- Opportunity provided to address Board at Feb 17 meeting.

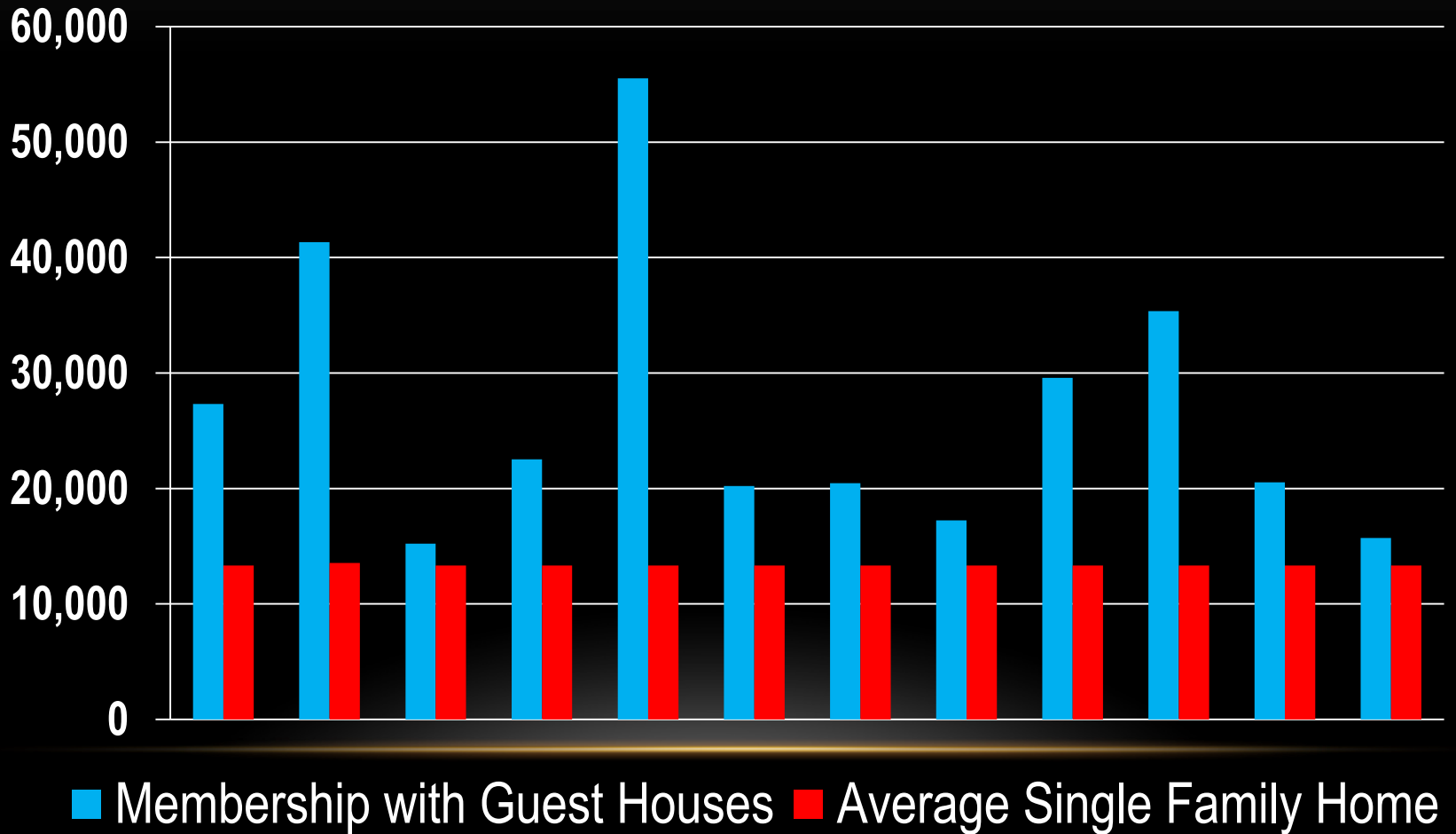
GUEST HOUSE POLICY FOLLOW UP

- Owners responding to 2/1/15 letter asked to demonstrate that no 2nd living unit exists, or given application for upgrade with due date of March 10th.
- Those not responding to 2/1/15 letter are sent a notice of planned shut off action on 2/20/15. Notice provides chance to address Board at 2/17/15 meeting.

GUEST HOUSE UPGRADE APPLICANT WATER USES STUDY



WATER USE STUDY, ZONE A SUMMER 2014 BILLING PERIOD



EWUA MEMBERSHIP AGREEMENT

Tax Parcel Number: 170743 [redacted]

EWUA Cert#: 416

Phone (day): (425) [redacted]

Phone (other): (206) [redacted]

Who is the membership being transferred from? (if applicable): Lot [redacted]

Check one use designation:

Single family residential

Number of living units: 1

Multi-unit residential (apartments, duplexes, condos, etc.)

Number of living units:

Non-residential

Other

1. The applicant must own the above described property and it must be within the EWUA service area.
2. Acceptance of a membership application requires action by the Board of Directors at a regular meeting or by such person(s) as they may designate.
3. Costs associated with memberships include membership fees, sub-area improvement fees, developer reimbursement fees, hook-up fees, transfer fees, water consumption charges and other fees related to the provision of water to a member's lot.

4. Membership and the use of water in the EWUA are conditional upon the availability of water supply. It is further conditional upon the terms of the Bylaws, Conditions of Service Governing the Use and Supply of Water, Design and Construction Standards, EWUA policies and procedures, the laws and regulations of San Juan County and the State of Washington that exist and as may be amended in the future. EWUA will take actions to correct the failure to comply with these conditions that may include restrictions on service, termination of service and/or revocation of membership.

MEMBERSHIP AGREEMENTS

14. **If designated "Single Family" use, one single-family residence with no accessory dwelling unit is allowed.** If use is designated "Non-residential" use, use is authorized subject to pending ERU policy. Memberships sold are to be assigned to a specific Tax Parcel Number. The number of ERUs that can be sold are limited to the current use and density allowed by the zoning on that tax parcel. If a member's plans for their tax parcel change, they have the following options:
- Consult with EWUA regarding the change to determine if the membership and ERU weight is consistent with the change.
 - Sell back excess membership(s)/ERU(s) to EWUA at a 10% discount.
 - Buy more membership(s)/ERU(s), if available.
15. Tax Parcel Number (TPN) to Tax Parcel Number exchanges.
Membership transfers from the identified TPN to another TPN are subject to EWUA's policies on transfers. A TPN to TPN membership exchange will be treated as occurring in two separate steps. The original membership will be voided and appropriate membership and sub-area fees must be returned. The Association will treat the original membership as if it never existed. A new membership will be created subject to all fees and conditions applicable to any new membership sold at that time.
16. Inactive or unconnected memberships are assessed a monthly fee.

Special Terms and Conditions

Membership is for one (1) living unit only. Owner agrees to conform to any applicable requirement of EWUA's Cross Connection Control program. Presence of well or well water on the property will require future backflow prevention mitigation to be provided by owner. Meter will be set at a location determined by EWUA. The member is urged to install high-quality, leak-resistant service piping for the service line.



Rate Structure Planning



AGENDA

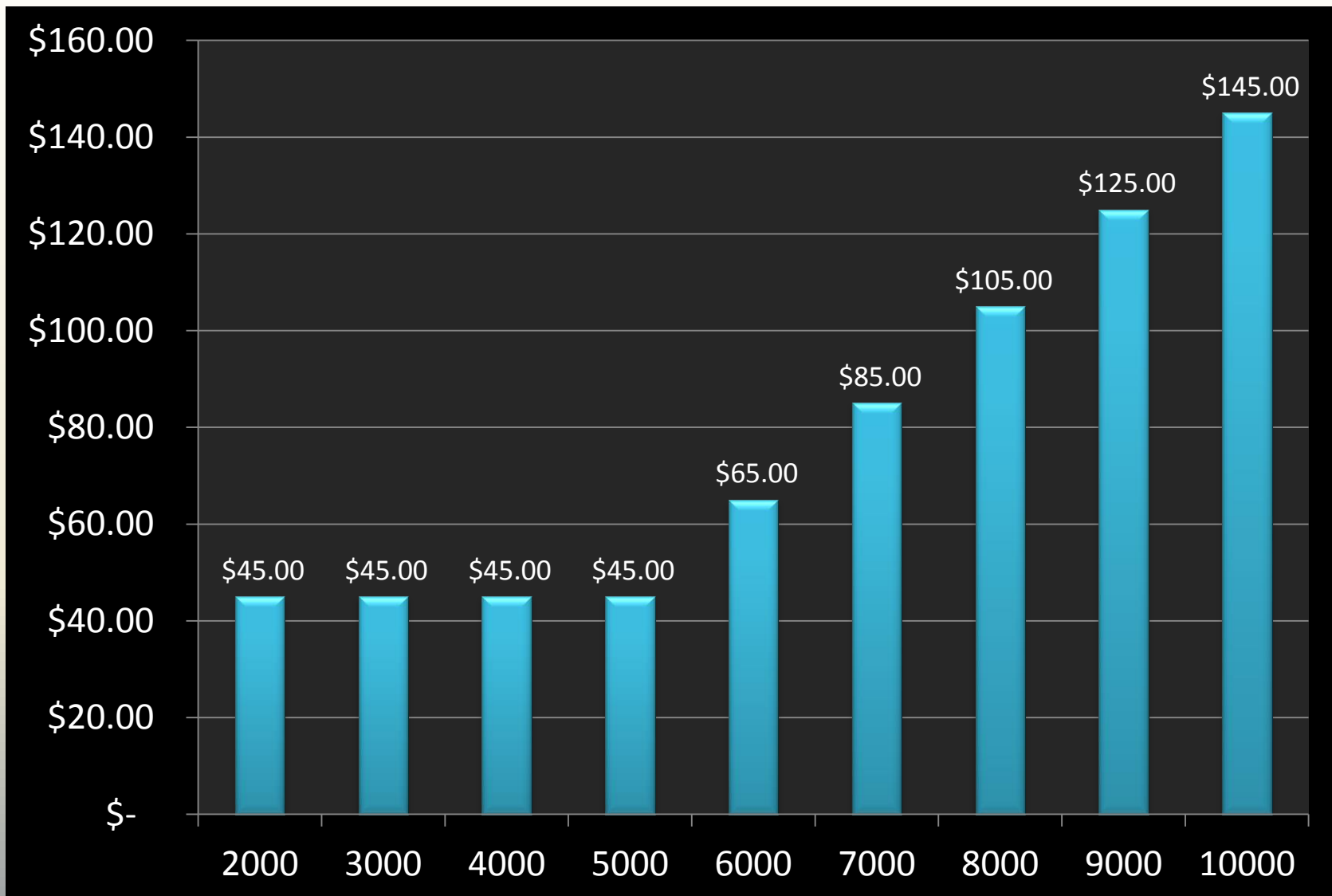
Exploring Rate Structure Options

- **How EWUA Finances are Organized**
 - **Current Rate Structure**
 - **Budgetary Impacts of Water Use Patterns**
 - **3 Different Rate Structures Compared**
 - **Exploring Impact of “Tiered” Rate Structure**
 - **Q&A**
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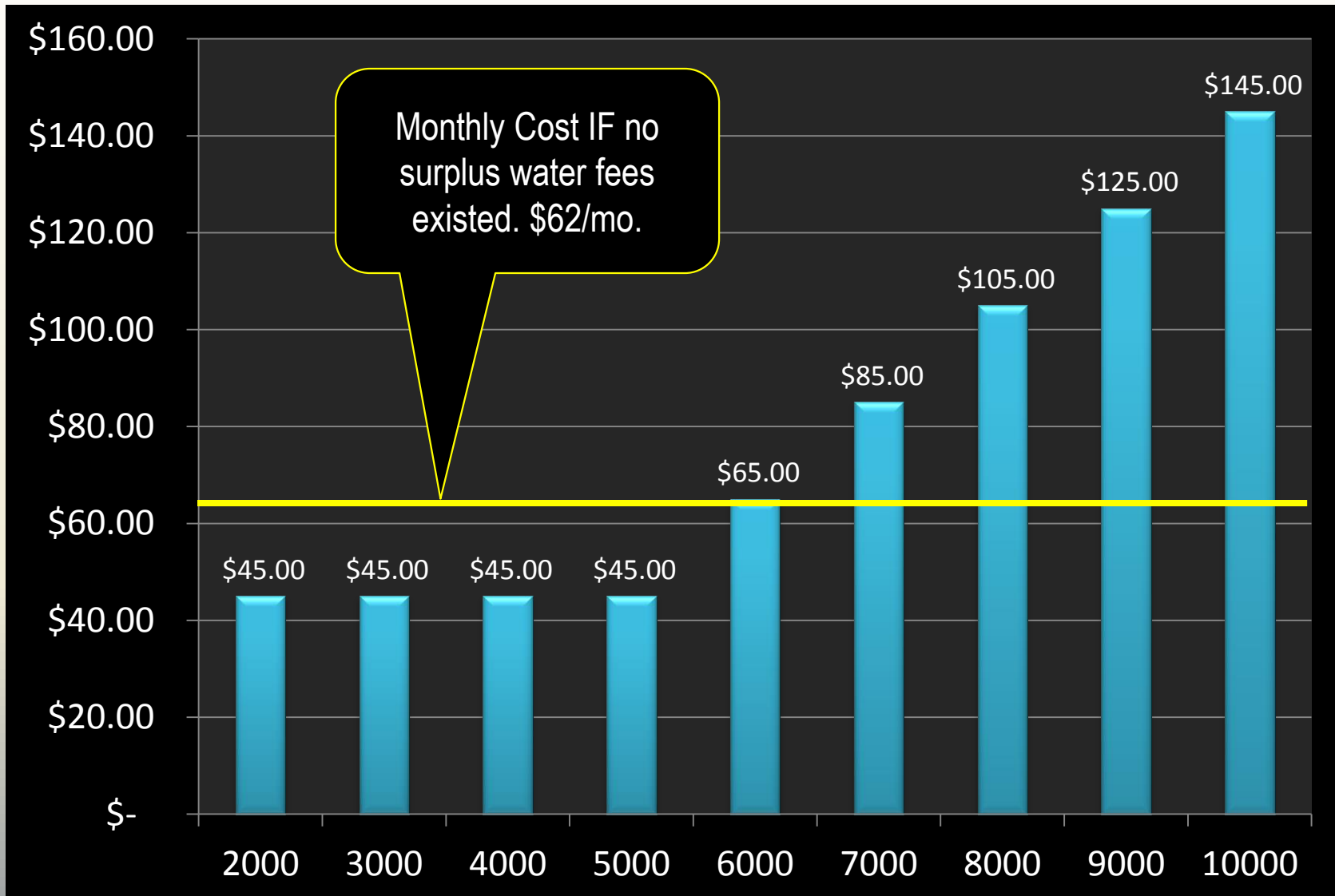
Board Budget Priorities

- **Generate Predictable Revenue**
 - **Provide Cost Effective Service**
 - **Recoup 100% of Operating Cost**
 - **Equitable distribution of Cost amongst members**
 - **Discourage irresponsible water use**
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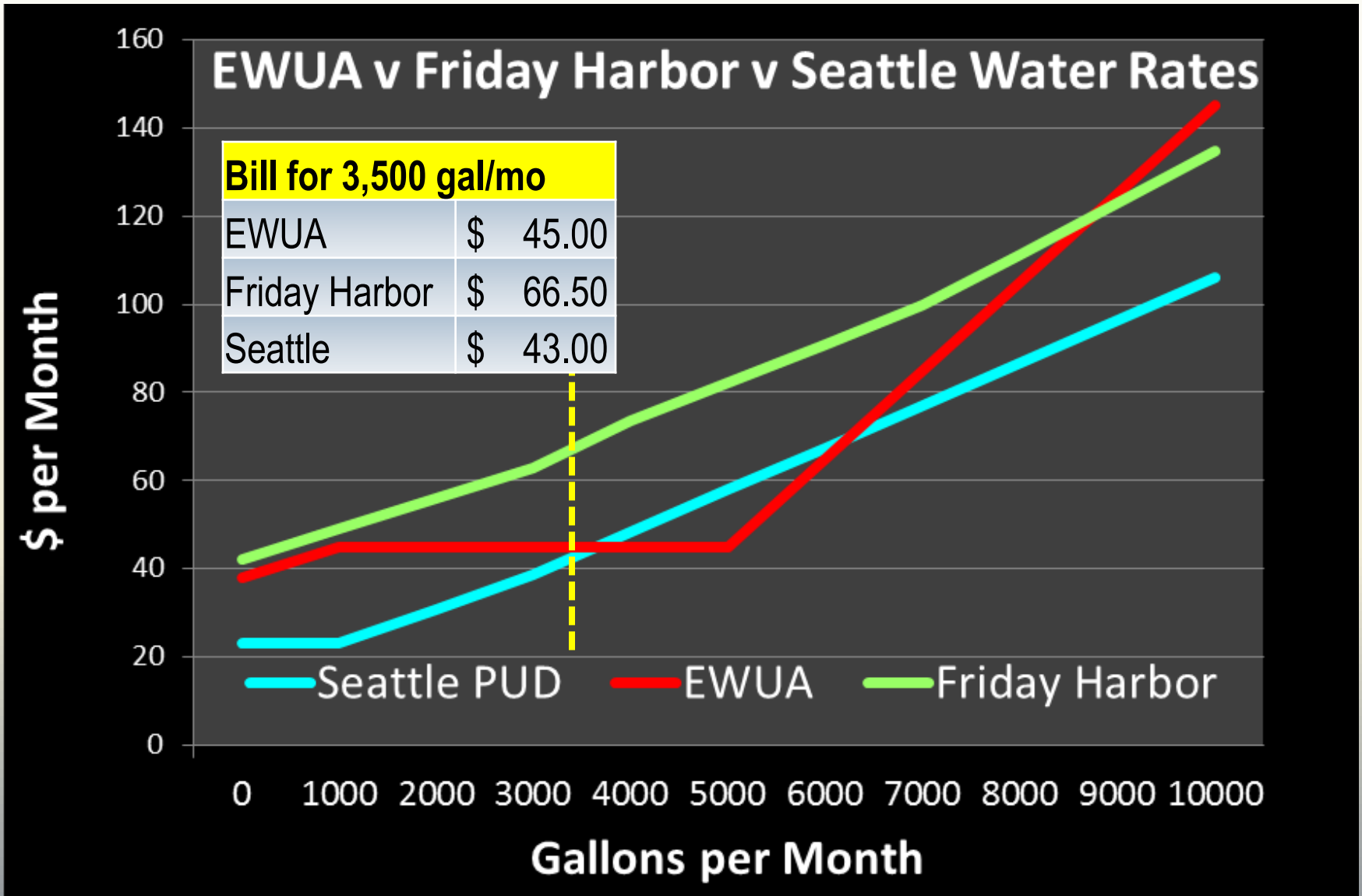
EWUA Current Rates CHARTED \$/ERU/MO



EWUA Current Rates CHARTED \$/ERU/MO

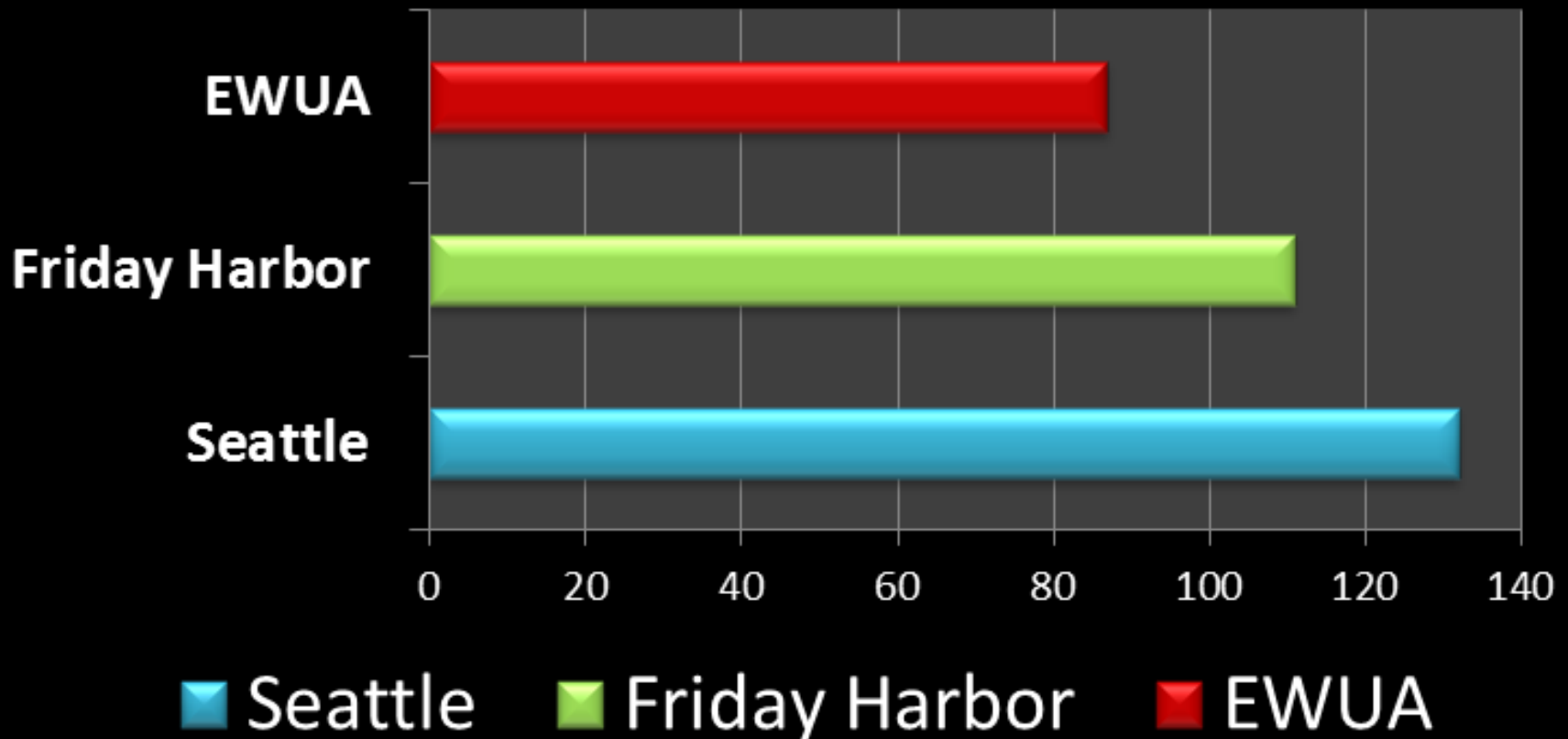


Residential Rates –EWUA, Friday Harbor & Seattle

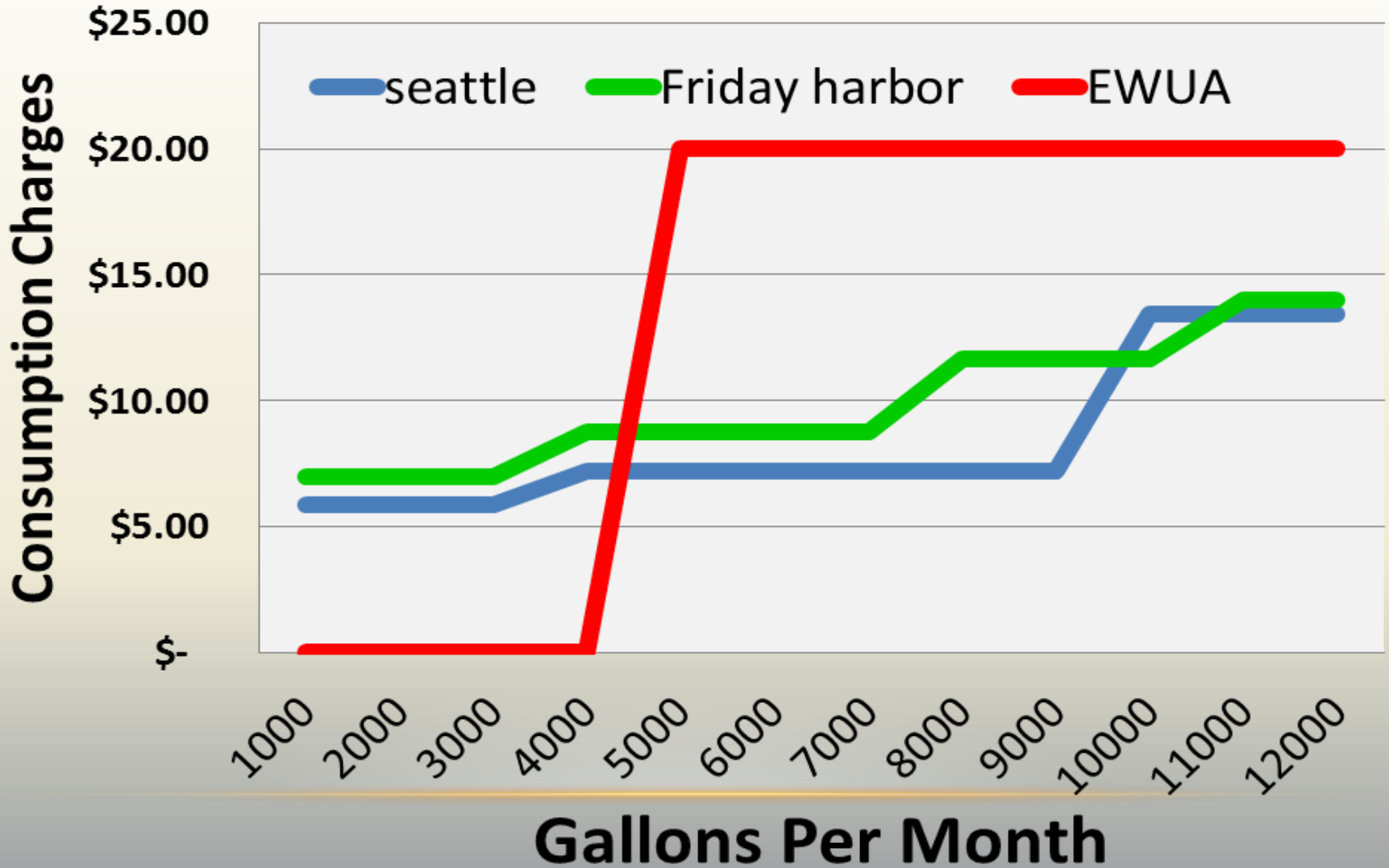


Water Use – EWUA, Friday Harbor & Seattle

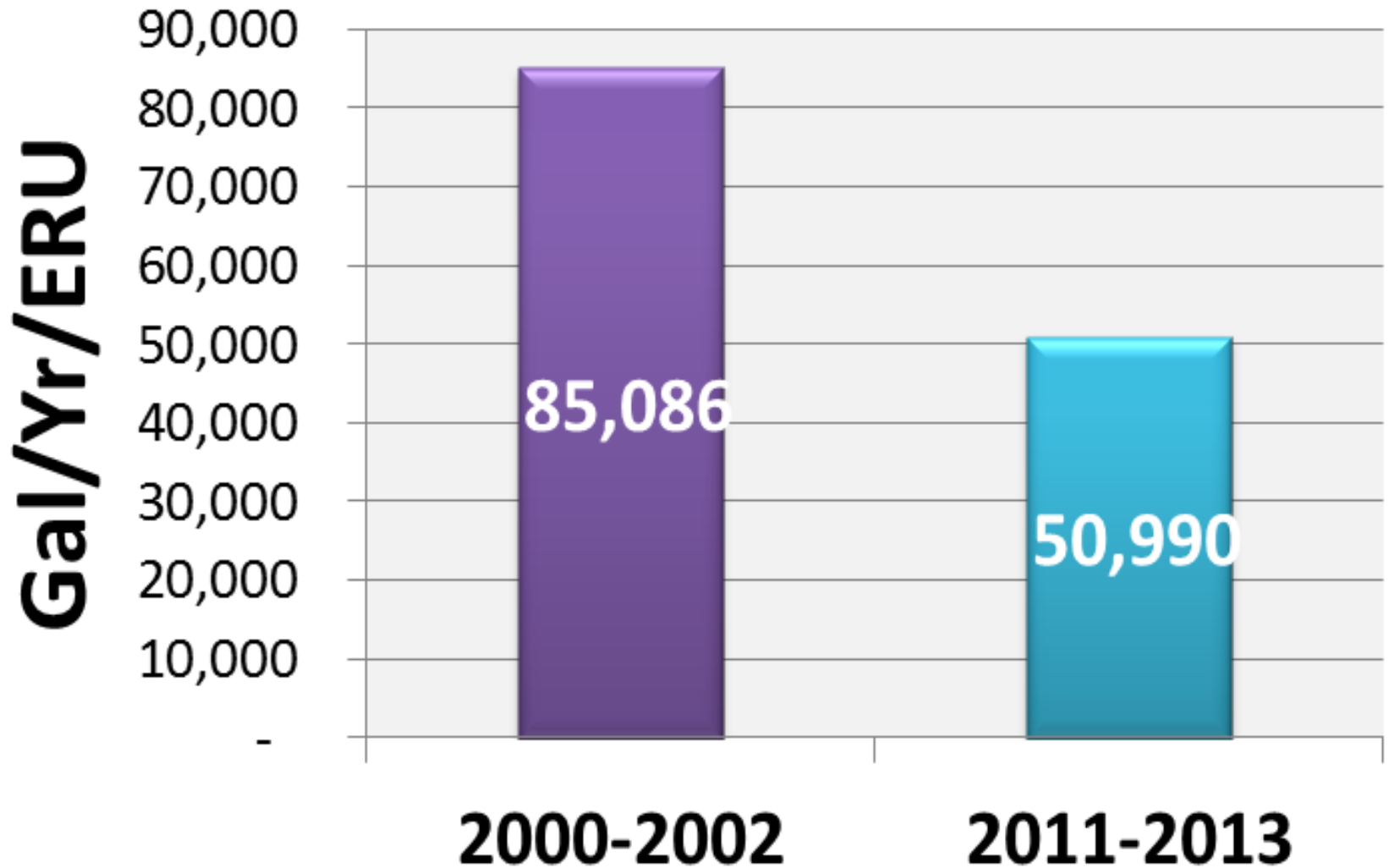
gal/person/day



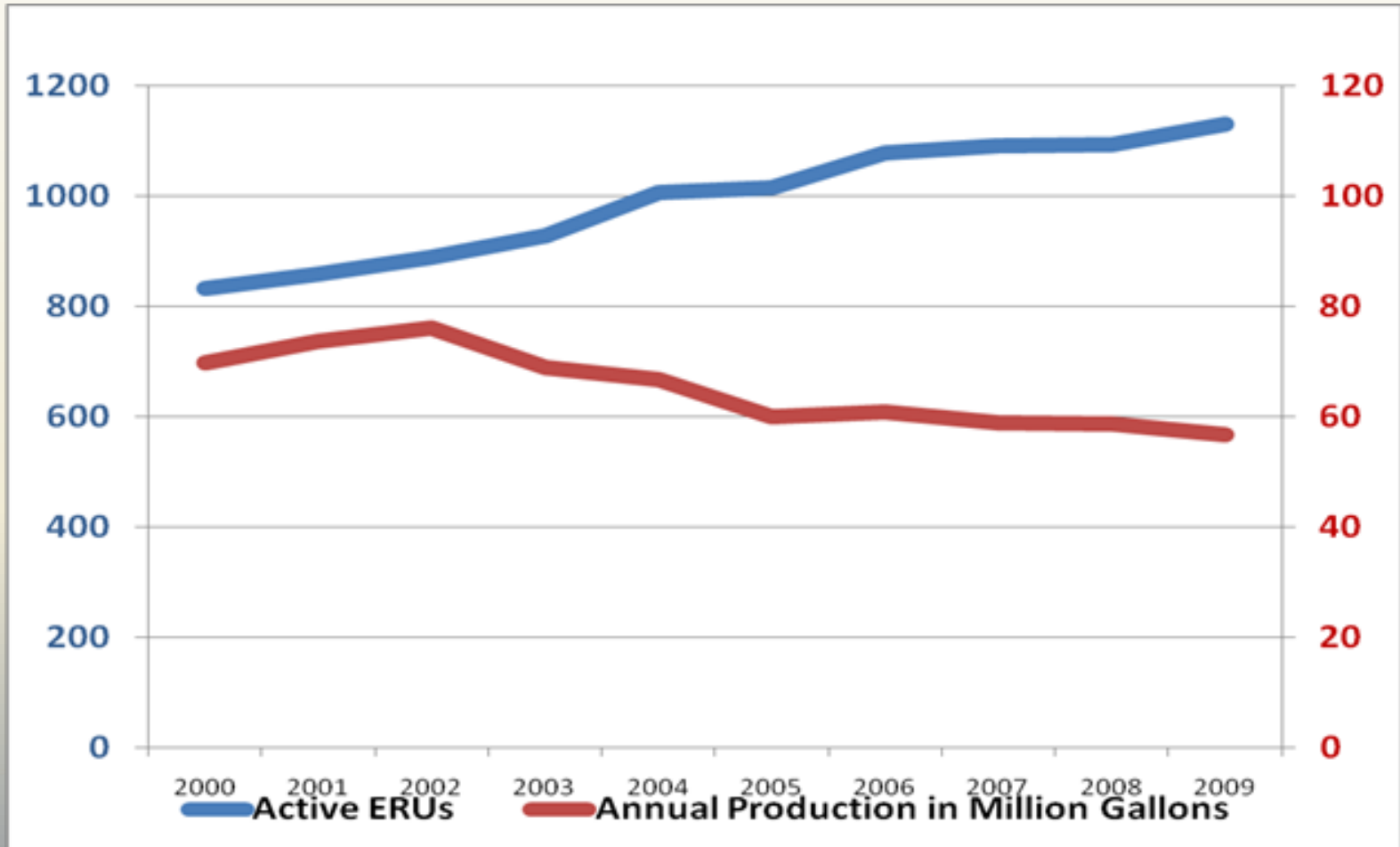
Consumption Charges



Conservation Success



EWUA Annual Production Totals EXCEL

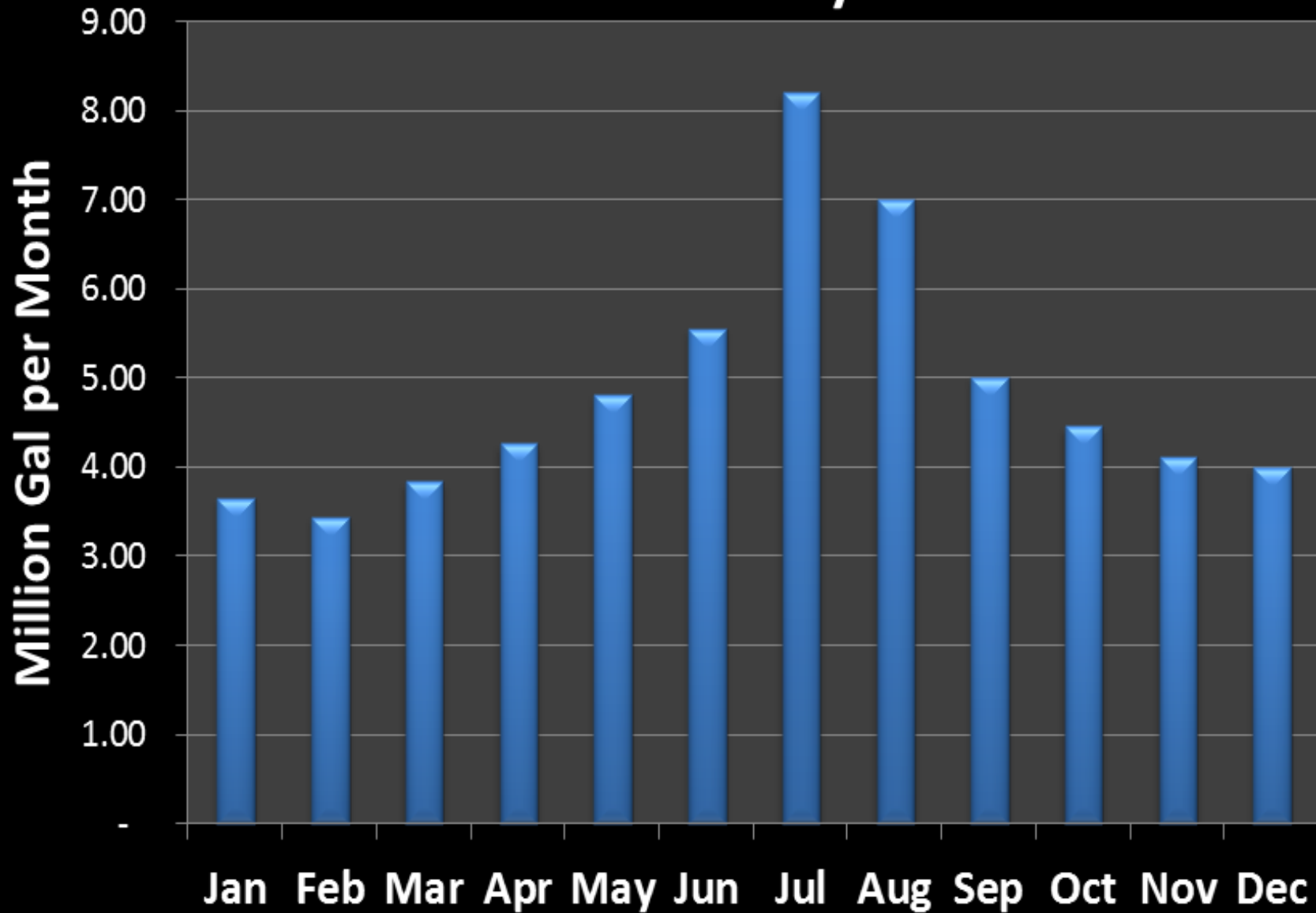


**% of Residential Members under base
15,000 gal/quarter**

Nov-13	Feb-14	May-14	Aug-14	Annual Total
81%	88%	89%	68%	82%

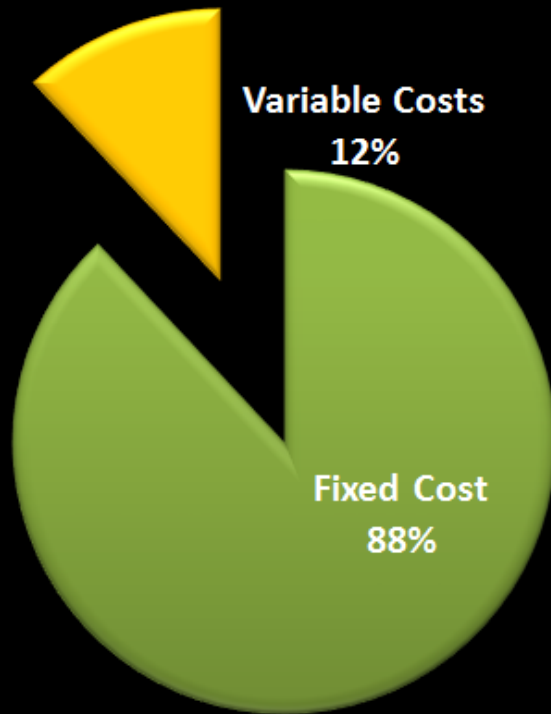
**Conclusion: Most members
pay base rate only**

EWUA Production by Month

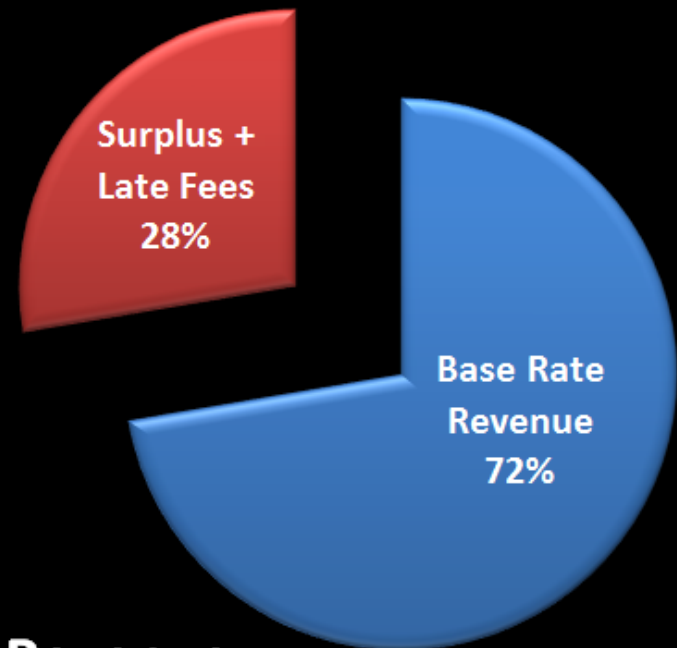


Fixed vs Variable Costs

EWUA 2012
Budget Study

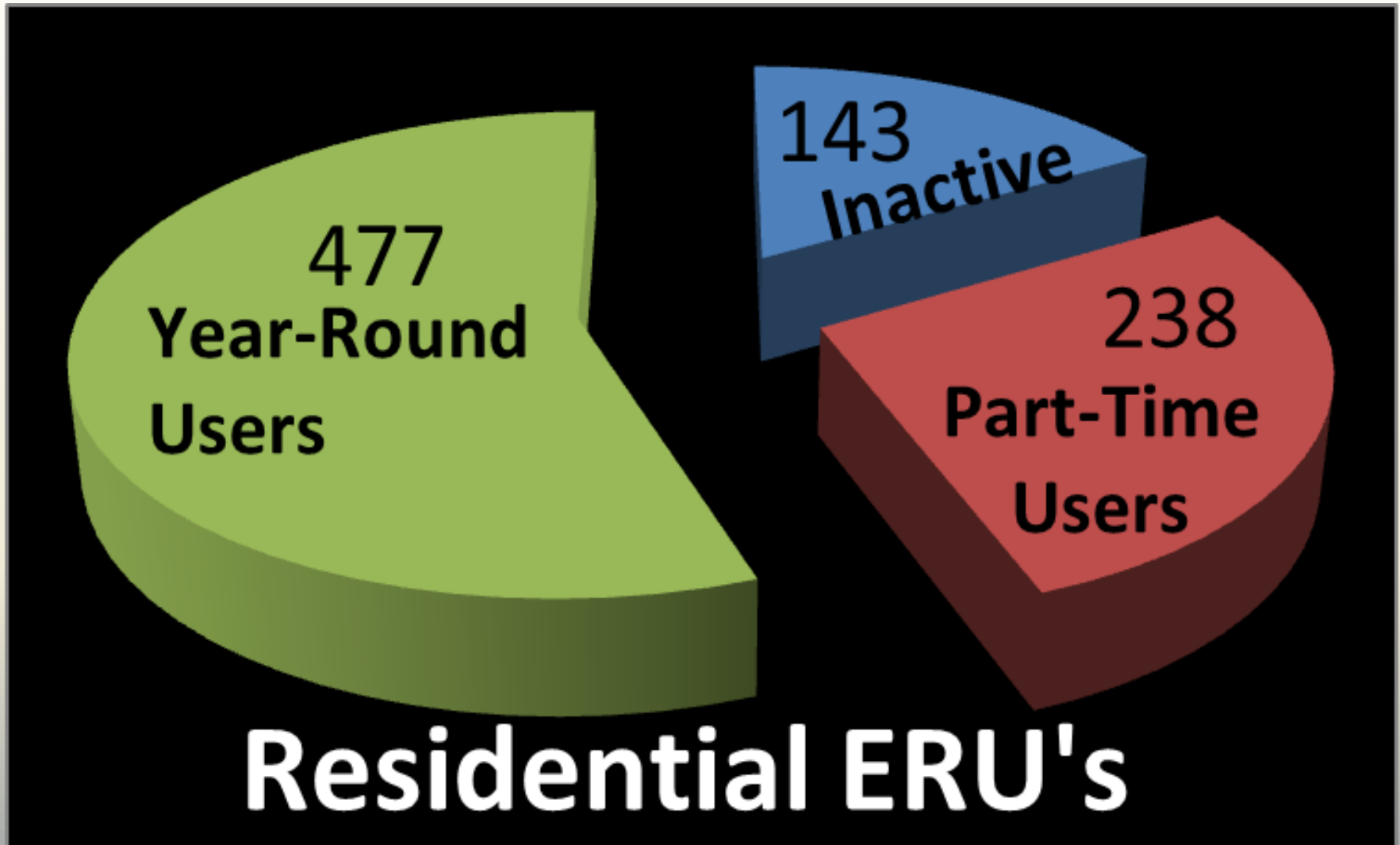


Fixed vs Variable Costs



**Fixed Revenue
and Variable Revenue**

Year-Round Water users vs. Other



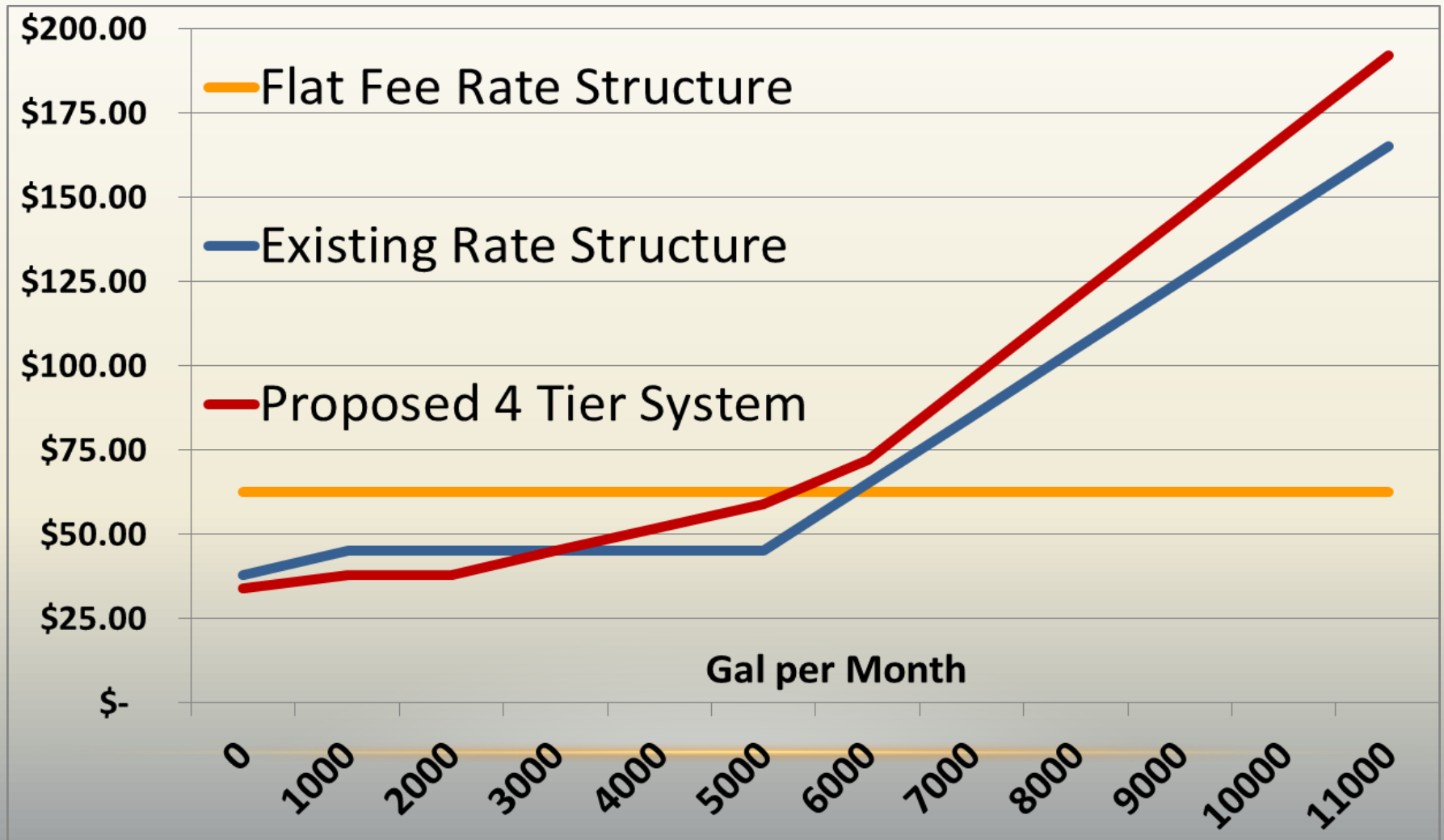
3 OPTIONS FOR RATE STRUCTURES

FIXED RATE MODEL	EXISTING RATE STRUCTURE		3 TIER RATE STRUCTURE										
<p>Base Rate</p> <p>\$62.50 per ERU per MO</p> <p>Use Fee</p> <p>NONE</p>	<p>Base Rate</p>	<table border="1"> <thead> <tr> <th data-bbox="705 525 890 589">gal/mo</th> </tr> </thead> <tbody> <tr> <td data-bbox="705 589 890 782">5000 included</td> </tr> </tbody> </table>	gal/mo	5000 included	<p>\$45 per ERU per MO</p> <p>Use Fee*</p> <p>\$20 per 1000 gal.</p> <p>* applies to use +5,000 gal/mo.</p>	<p>Base Rate</p> <p>Tier #1</p> <p>Tier #2</p> <p>Tier #3</p>	<table border="1"> <thead> <tr> <th data-bbox="1360 525 1535 589">gal/mo</th> </tr> </thead> <tbody> <tr> <td data-bbox="1360 589 1535 782">0-2000</td> </tr> <tr> <td data-bbox="1360 782 1535 975">2000-5000</td> </tr> <tr> <td data-bbox="1360 975 1535 1168">5000-8000</td> </tr> <tr> <td data-bbox="1360 1168 1535 1359">OVER 8000</td> </tr> </tbody> </table>	gal/mo	0-2000	2000-5000	5000-8000	OVER 8000	<p>\$38 Per ERU per MO.</p> <p>\$7 per 1000 gal</p> <p>\$13 per 1000 gal</p> <p>\$24 per 1000 gal</p>
gal/mo													
5000 included													
gal/mo													
0-2000													
2000-5000													
5000-8000													
OVER 8000													

Rate Structures Compared

	Flat Fee Rate Structure	Existing Single Tier Rate Structure	Proposed 4 Tier System
0	\$ 62.50	\$ 38.00	\$34.00
1000 gal/mo	\$ 62.50	\$ 45.00	\$38.00
2000 gal/mo	\$ 62.50	\$ 45.00	\$38.00
3000 gal/mo	\$ 62.50	\$ 45.00	\$45.00
4000 gal/mo	\$ 62.50	\$ 45.00	\$52.00
5000 gal/mo	\$ 62.50	\$ 45.00	\$59.00
6000 gal/mo	\$ 62.50	\$ 65.00	\$72.00
7000 gal/mo	\$ 62.50	\$ 85.00	\$96.00
8000 gal/mo	\$ 62.50	\$ 105.00	\$120.00
9000 gal/mo	\$ 62.50	\$ 125.00	\$144.00
10000 gal/mo	\$ 62.50	\$ 145.00	\$168.00
11000 gal/mo	\$ 62.50	\$ 165.00	\$192.00

Potential Rate Structures Charted



Rate PROPOSAL Impact Study

		Existing Rate Structure	Proposed 4 Tier System	% change
0		\$ 38.00	\$34.00	-11%
1000 gal/mo		\$ 45.00	\$38.00	-16%
2000 gal/mo		\$ 45.00	\$38.00	-16%
3000 gal/mo		\$ 45.00	\$45.00	0%
4000 gal/mo		\$ 45.00	\$52.00	16%
5000 gal/mo		\$ 45.00	\$59.00	31%
6000 gal/mo		\$ 65.00	\$72.00	11%
7000 gal/mo		\$ 85.00	\$96.00	13%
8000 gal/mo		\$ 105.00	\$120.00	14%
9000 gal/mo		\$ 125.00	\$144.00	15%
10000 gal/mo		\$ 145.00	\$168.00	16%
11000 gal/mo		\$ 165.00	\$192.00	16%

Impact on Tiered Rates

% of Residential Members Paying More than \$45/mo

	Annual Total
Current Rate Structure	18%
Tiered Rate Structure	42%

Rate Structure Summary

- Current Rate Structure provides stable, predictable revenue stream.
 - Current Rate Structure has stimulated substantive conservation from highest water users.
 - Current Rate Structure distributes cost of service amongst membership reasonably equitably.
-

Rate Structure Summary

- **New Billing Software** will support the a tiered rate structure.
 - **Board willing to consider alternative rate structures, and requests your feedback.**
 - **Most Beneficial change to rate structure would be a PEAK SEASON surcharge.**
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Rate Structure Questions

2015 ANNUAL MEETING

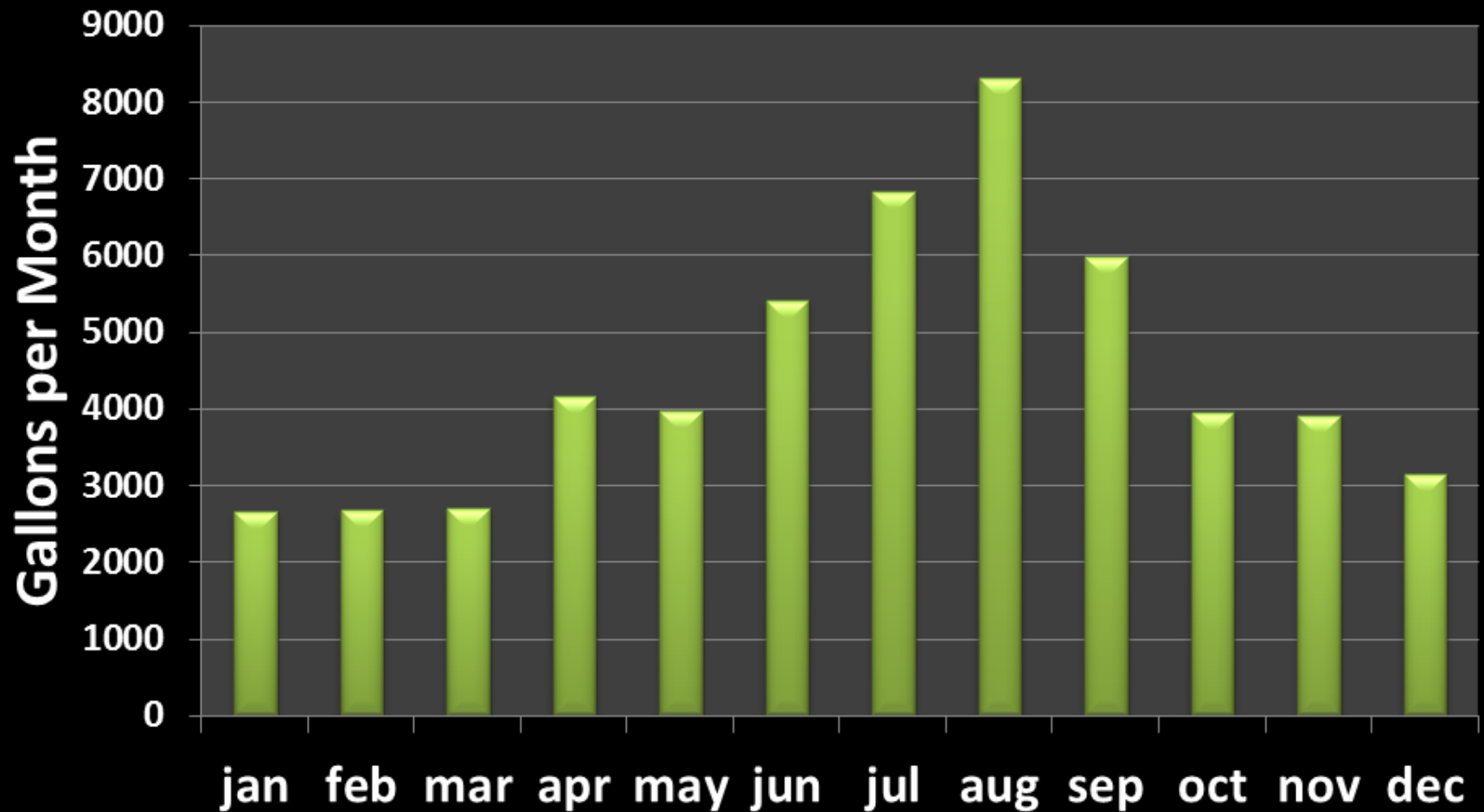
- Meeting being Planned for April
 - Board vacancies current exist
 - All Board positions will be open for election
-

Available Hand Outs

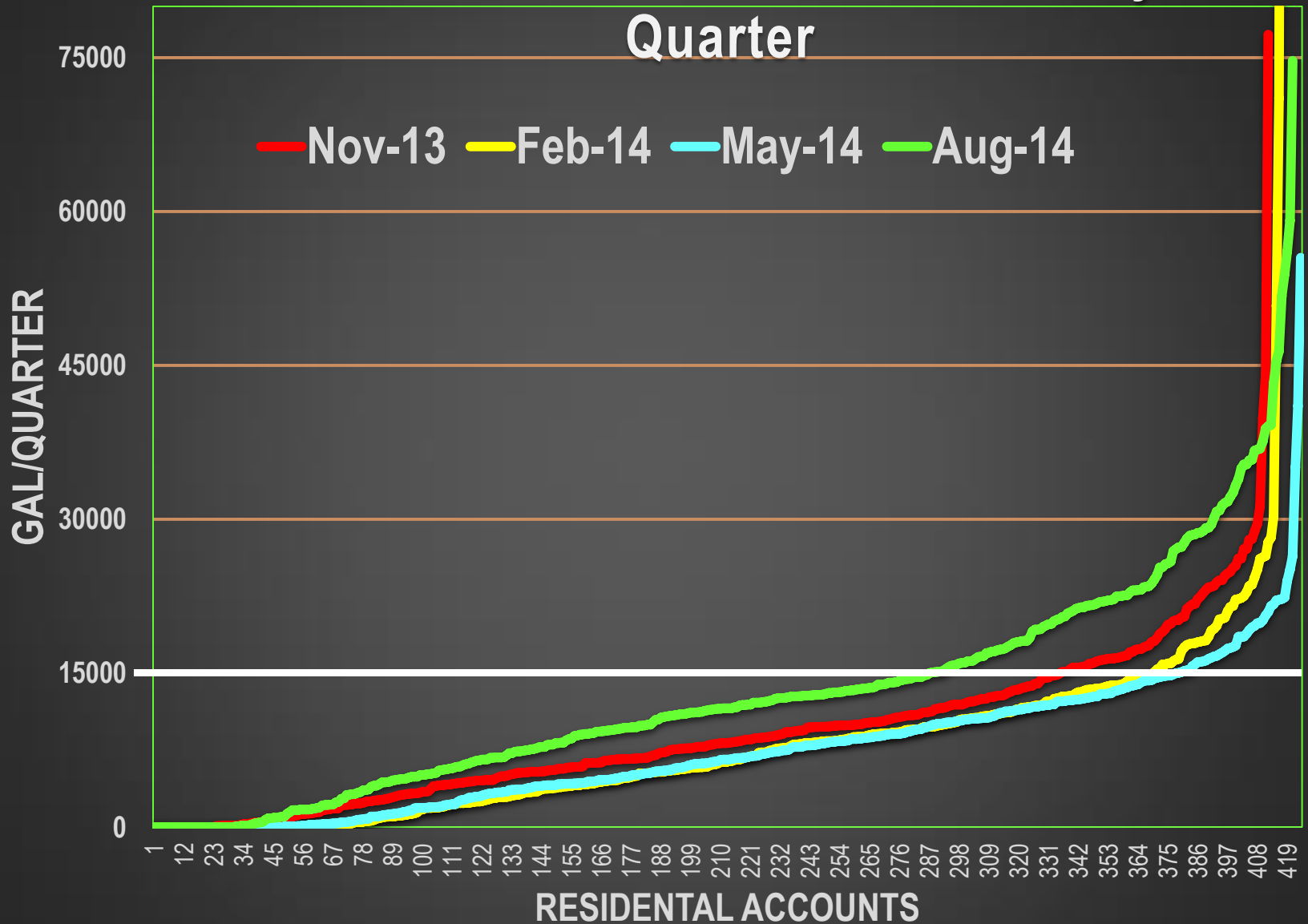
- **Bylaws**
- **History Bylaws pertaining to Guest Houses**
- **Current Rate Schedule**
- **Alternative Rate Structure**
- **Guest House Upgrade Request Form**
- **PK Business Cards**

Rate Structure

Commercial Account Water Use



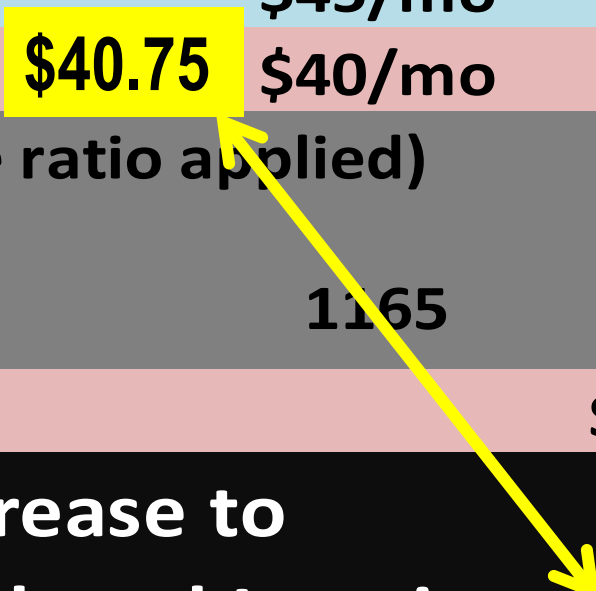
Residential Account Water User by Quarter



Inactive RATE Adjustment?

Currently an INACTIVE member pays \$456/yr to support the water system

	ACTIVE	INACTIVE
Current Base Rates	\$45/mo	\$38/mo
Reduced Base (if same active/inactive ratio applied)	\$40/mo	\$33/mo
# ERU's	1165	170
Revenue Reduction		\$10,000/yr.
Active Account Increase to compensate for reduced Inactive Revenue		\$.75/mo



Inactive RATE Adjustment?

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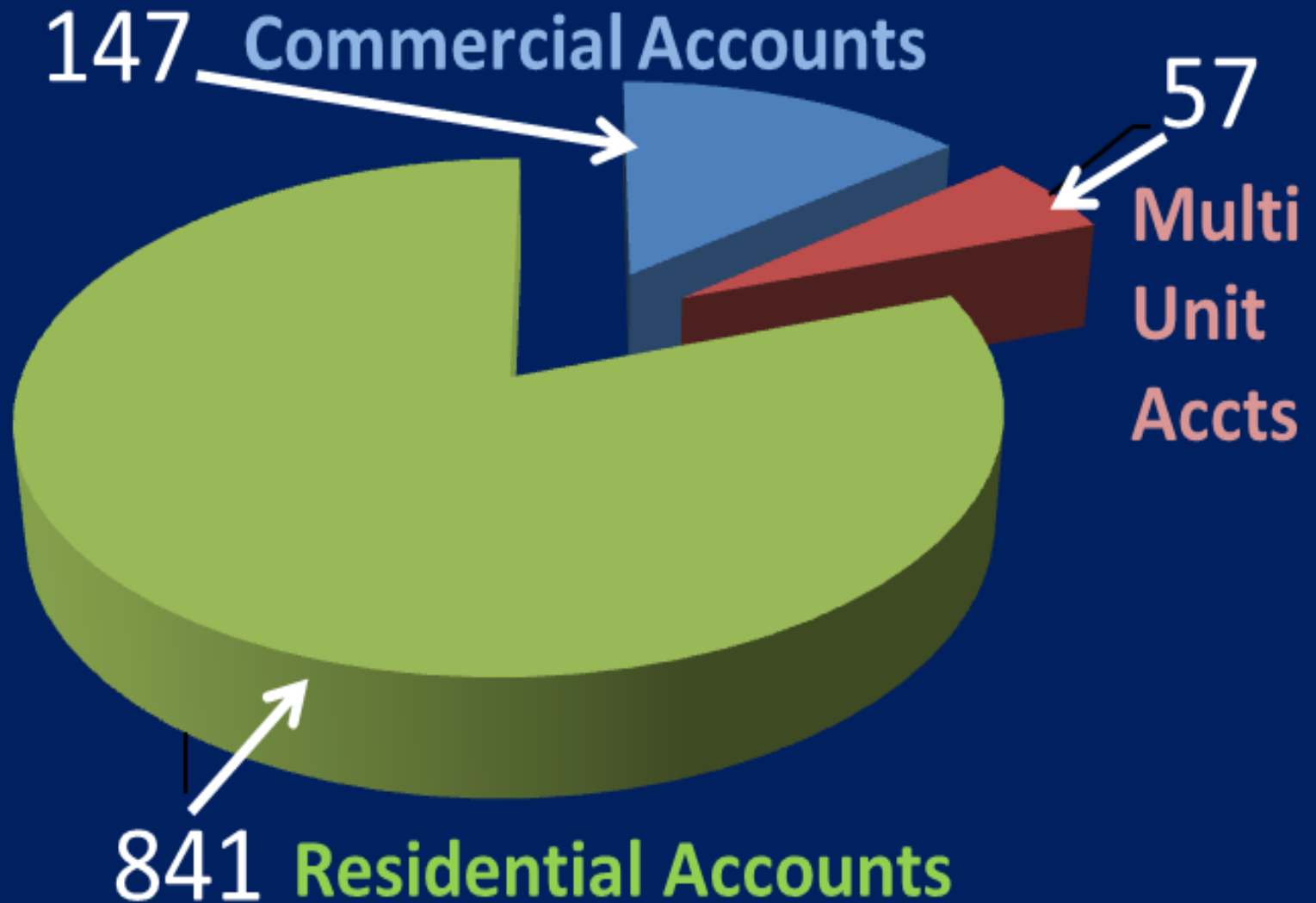
(if same active/inactive ratio applied)

# ERU's	1165	170
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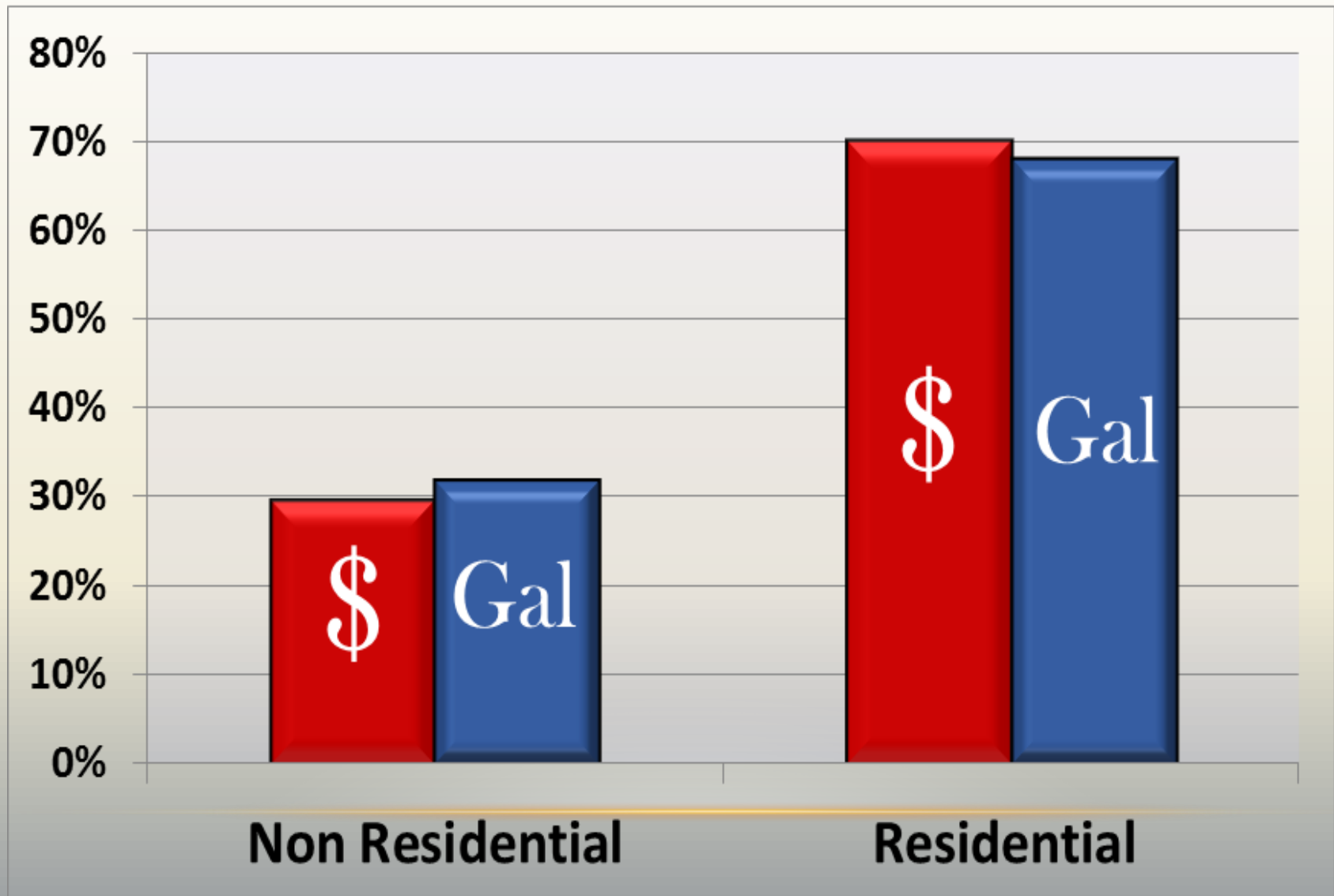
Revenue Reduction		\$10,000/yr.
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Active Account Increase to compensate for reduced Inactive Revenue		\$.75/mo
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EWUA SERVICE CLASSES



SERVICE CLASS EQUITY

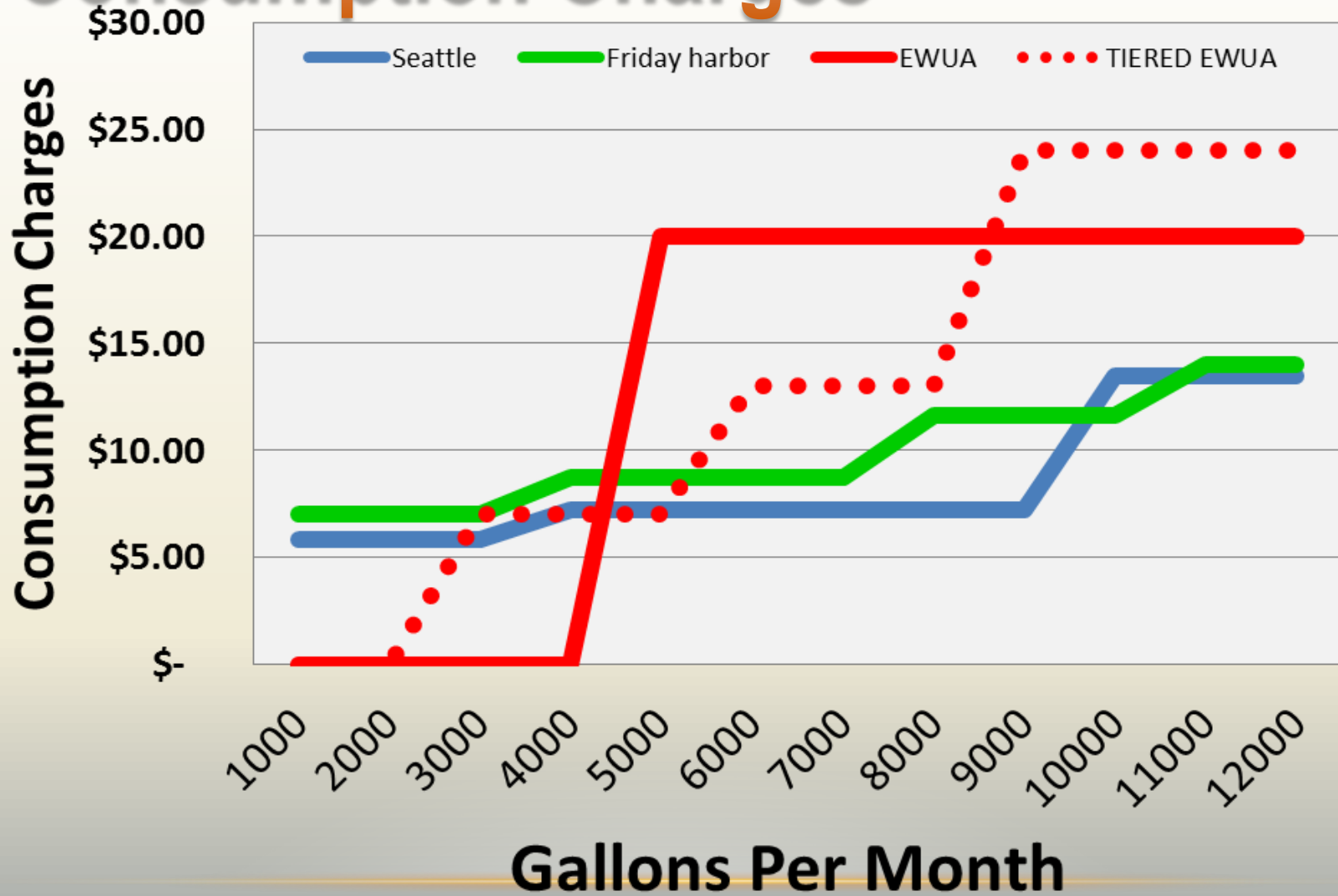


Impact on Tiered Rates

% of Residential Members Paying More than \$45/mo

	Nov-13	Feb-14	May-14	Aug-14	Annual Total
Current Rate Structure	19%	12%	11%	32%	18%
Tiered Rate Structure	43%	34%	36%	44%	42%

Consumption Charges



Operating Funds vs. Capital Funds

Operating Budget

Funded by
**Monthly Water
Use Service
Fees**
\$950,000

Supports

- Daily Operations
- System Maintenance
- Staff Payroll
- Vehicles
- Office
- Consumables



Capital Reserves

Funded by
Membership Sales
\$400,000

Supports

- Development of System Capacity
- Water System Improvements

