

Section 4

Satellite System Management

4.1 Introduction

4.1.1 Background

The District functions as a Satellite Management Agency (SMA) at its discretion to assist water systems accomplish technical and administrative tasks, maximize water availability, and maintain satisfactory water quality. The satellite system program, through either ownership or contracting for a variety of services, provides for operation and maintenance of small and large water systems by the District. By operating multiple water systems, economies of scale make it possible to: (1) employ qualified personnel, (2) provide good system management and operation, and (3) meet stringent standards required by the federal Safe Drinking Water Act (SDWA) and the state of Washington.

The Satellite System Management Program (SSMP) enables either a private or public system to select a level of District service that will best accommodate their particular needs. In addition, the District's eligibility for state and federal funding assistance and its ability to issue bonds helps to assure reliable and high quality service at minimum cost for District-owned systems. This outline of the District's SSMP provides customers and applicable state agencies with the philosophy, objectives, and procedures associated with available services.

4.1.2 Types of Service

Although it is the District's preference to own all of its water systems, the SSMP provides three potential options of operation and assistance services for water systems:

- (a) Direct Service - ownership and operation by the District.
- (b) Contract Services (on a limited basis) - routine operation and maintenance, water quality monitoring, utility billings, and other periodic tasks for systems not owned by the District. Contract services are available to private and public systems at a rate commensurate with the service.
- (c) Support Assistance (on a limited basis) – one-time or long-term support to systems requiring technical, professional, or special assistance on a more limited scale. Charges for support assistance are determined in advance, generally on a time and materials basis.

These three service options are designed to respond to differing water systems and to support a comprehensive program of water system management throughout Snohomish County (County). Decisions by the District on whether to provide SMA services or establishing a level of service, will depend on individual system needs, plans for improvement, and growth pressures, an assessment of state agency (i.e., Washington State Department of Health (DOH) and Washington State Department of Ecology (DOE)) cooperation, support, and regulatory issues, as well as the ability of the District to provide desired services in a cost effective manner. Each situation will be carefully examined by the District and discussed with the Applicant interested in satellite system service or support.

The District will perform Direct or Contract Satellite management only for systems that comply with its minimum health, safety, and water quality standards. Systems failing to meet minimum standards must be brought up to standards in accordance with District Satellite System Management policies.

Exhibit 4-1 presents a diagram of service application and review procedures, described below, which the District uses in evaluating requests for implementing any of the three service options. Some steps involved in the process are required regardless of which service is being requested. First is the initial contact between the Applicant and the District. During initial contact, Applicants can discuss needs with the District and receive a copy of specific policies and procedures which pertain to their requests. The Applicant's written letter of request will initiate the District's formal evaluation of system needs, capabilities, and deficiencies. The District will then request specific data or background information needed to survey the water system and evaluate the District's ability to implement one of the three service options.

4.2 Policies and Procedures for Direct Service

Direct Service requires the transfer of system ownership and operational responsibilities from either an existing or new system to the District. The Direct Service option enables the District to assume complete responsibility for water systems at any location throughout the County. Water systems adjacent to or within a water district or municipality's service area will be directed to approach that water district or municipality for direct service before submitting a request to the District. The District cannot be compelled to assume transfer of a system that falls within the historical retail service area of an existing municipal water supply system (i.e., city/town, water district) that is responsible for providing retail water service to the system and related Customers. Under the Direct Service option, the Applicant and system customers are subject to all of the policies, procedures, standards and specifications set forth in this Policies and Procedures Manual. Water rates and charges will be imposed as applicable. Depending on the amount of system upgrade work and other expenses associated with system transfer to the District, an additional assessment or monthly capital rate surcharge may be levied.

The District may be required to assume specific financial, legal, or regulatory liabilities for systems that seek to transfer ownership. The scope and complexity of such liabilities, as well as the interests of all County citizens, therefore, must be carefully considered for any proposed action, including relevant state agency cooperation, support, and funding assistance.

Systems proposed for transfer to District ownership (Direct Service) must also meet minimum construction and reliability standards or a plan with associated funding to bring the system to those minimum standards must be in place prior to the District taking ownership of the system. Different criteria will be applied for Group A and B systems as appropriate.

4.2.1 Conditions

The District's Water Utility shall establish (as a part of such utility) Satellite Water Systems, which are separate and apart and remote from each other, under the following conditions:

- (a) Consideration by the District of a proposed Satellite Water System shall be instituted by the application of a group of water users or a water purveyor within the service area of the proposed Satellite Water System.
- (b) If a proposed Satellite Water System is in such proximity to an existing District water system or satellite system that it could reasonably qualify under District policy as an extension of or merger with such existing system, it shall not qualify for consideration as a Satellite Water System under this Section.
- (c) Satellite Water Systems may consist of new construction by the District, or the acquisition of existing or new systems, or the acquisition and improvement of existing systems, or any combination thereof. In any case, however, the system shall be required to meet the District's standards for water systems and shall be operated, insofar as reasonably possible pursuant to the general policies and procedures of the District's Water Utility, except as otherwise provided herein.
- (d) The District shall perform a due diligence feasibility study as detailed in Section 4.2.3 for each new Satellite Water System to determine that said system shall be financially self-supporting, and the financial condition of any existing District water system shall not be adversely affected as a result of the establishment or operation of the new Satellite Water System.
- (e) The Applicant must possess adequate water rights, consistent with applicable law, policy, and regulation, to supply the water system's existing and committed needs, and these water rights must be available for transfer to and beneficial use by the District without undue state agency regulatory impediment or opposition as determined by the District.

4.2.2 General Policies and Procedures

The general policy and procedures for implementing the Direct Service option are as follows:

- (a) Direct service can be provided for both Group A and B systems.
- (b) Purchase of private water systems is at the District's discretion and will require a financial feasibility analysis and must be based on an assessed value of the system and supported by the water system's customers.
- (c) Systems that are certified to meet District, Snohomish Health District, and DOH standards during construction will not be subjected to the survey and upgrade process. Systems that may desire Direct Service from the District at some point in the future should meet the following requirements during design and construction:
 - The system should be designed and constructed in accordance with the Standards and Specifications of the District (Appendix A).
 - The design and monitoring of construction for all new systems should be coordinated with the District.
 - Prior to transfer of ownership of a new system to the District, the designer of the system must certify that it has been built in accordance with the approved design.
- (d) For systems that have not been certified as being constructed in accordance with District standards, a survey and engineering evaluation will be conducted and a schedule will be developed to accomplish system upgrades which are required to meet applicable District, local, state, and federal standards. Certain improvements, especially deficiencies related to water quality, safety and system reliability, will be required to be completed prior to or in conjunction with system transfer to the District.
- (e) Capital improvements and purchase costs will be financed by the system's owner(s)/customers through rate surcharges, assessments, GFCs, and/or District arranged financing. District financing options may include state and federal grants, cash contributions, LUD bonds, or similar financing arrangements. State and federal agency financing options shall be assessed relative to District workload requirements, relevant state agency support/commitment to achieve District system objectives, and the effectiveness of applicable interagency coordination and approval process(es) to support the project.
- (f) Major system improvements may require the formation of an LUD, a capital rate surcharge supported by the system's customers, or similar financing arrangement.

- (g) An estimate of the cost of required capital improvements will be provided to and agreed upon by the satellite system's owners before the District assumes ownership or operational responsibilities. All systems not installed under the certification process outlined above will be handled on a case-by-case basis to determine charges for the preliminary survey and engineering evaluation.
- (h) Prior to District assumption of ownership or operational responsibility, the District pursuant to a state/federal funding source or at the satellite system owner's cost, shall prepare an assessment of the legal and regulatory status of the satellite system's water rights, potential legal/regulatory requirements and impediments to the District's effective transfer and beneficial use of the satellite system's water rights, the need and feasibility for the District secure to alternate municipal water supply, and state agency (DOE/DOH) cooperation and support for related and necessary District regulatory actions and approvals.
- (i) The District's attorney will establish the appropriate authorization and legal instruments required for the transfer of system ownership to the District.

4.2.3 Review and Approval Procedures

- (a) Unless the District is successful in obtaining alternative funding to finance the feasibility study, the Applicant for a proposed Satellite Water System shall advance to the District the estimated costs for all preliminary and full studies undertaken to determine the feasibility of such a proposed system.
- (b) A preliminary feasibility study shall be performed to establish the system's capabilities, deficiencies, and compliance with appropriate regulatory and operational criteria. The study also will be used to determine the estimated costs of needed system improvements, anticipated operation and maintenance expenses, feasibility of District beneficial use of the satellite system's water rights and/or access to alternate municipal water supply, related regulatory/legal process issues and requirements, and applicable state agency cooperation, support, and regulatory posture relating to the District's system objectives/requirements. The intent of this preliminary feasibility study is to attempt to identify at an early stage any major factor which renders the proposal not feasible. If the AGM or his or her designee finds from the preliminary study that the proposal is not feasible and/ or cannot be assured necessary state agency cooperation, the proposal shall be rejected.
- (c) A meeting or other appropriate method will be used to review the preliminary feasibility study results and preliminary cost estimates with the satellite system's existing owner(s)/customers. The owner(s)/customers may either withdraw the request for Direct Service or continue the process by authorizing the District to

prepare a full feasibility study to more accurately determine the work and costs required to bring the system up to required standards.

- (d) If the preliminary feasibility study does not cause a rejection of the proposal, and upon the advancement of costs, the District shall undertake a full feasibility study to investigate in detail all issues which may affect the feasibility of the proposal. The intent of the full feasibility study is to add to the information developed in the preliminary feasibility study sufficiently to allow for a final determination as to the feasibility of the proposed Satellite Water System.

The District feasibility study will include a detailed analysis of the system's operation, required capital improvements, water right regulatory requirements, process, and approval issues, state agency regulatory posture regarding District water use objectives/requirements, and projected cost of operation and maintenance. It will also contain a preliminary financing plan for improvements and proposed rate structure based on:

- Minimum improvements required to meet quality, safety, and reliability standards.
- Improvements required to upgrade the system to the Standards and Specifications of the District.
- Source, storage, metering, fire flow, and other desired improvements.

- (e) After a review of the full feasibility study is conducted with the owner(s)/customers of the existing systems, the request for service may be withdrawn, or with the assistance of the District, proceedings to transfer ownership may be initiated.

- (f) Improvements required to upgrade the system to District standards will be completed consistent with the recommendations of the feasibility study. The District may require that some improvements (particularly those associated with water quality, safety, and reliability) be completed prior to or in conjunction with system transfer. Some identified and system customer funded improvements may be scheduled for after the system transfer, and others deferred until normal repair or replacement occurs.

- (g) If capital costs for necessary improvements can be financed reasonably by the owner(s)/customers, then the transfer of ownership may be contractually established. A list of items necessary to accomplish a transfer of ownership may include but is not limited to:

- Bill of Sale
- Title Report and Property Deeds
- Assignment of Easement and Franchises

- New Easements, if required
 - Water Right Permit Extensions, Transfers, or Changes
 - Assignment of Water Rights
 - Authorization to Collect Rates and Fees
 - Hold Harmless Clause
 - List of Owners, Customers, and Addresses
 - Maps, Records, Equipment Manuals and Data, and Other Information
- (h) If necessary and found to be economically feasible, the District Commissioners may create an LUD in accordance with Title 54 RCW or a capital rate surcharge supported by the system's customers to fund any necessary improvements. Once an LUD is formed or rate surcharge adopted, ownership of specified facilities, equipment, and data will be transferred to District ownership.
- (i) New systems, whose initial design, construction, and approval have been conducted in accordance with the District's design standards and inspection requirements, will not require a preliminary survey or engineering evaluation. The transfer of ownership can occur either contractually or by LUD formation as described above. The system must be certified in accordance with Chapter 246-290 WAC to verify that it was built and approved in accordance with the requirements of the DOH, Snohomish Health District, and the District prior to transfer of ownership.

4.2.4 Submittal to Commission

A completed full feasibility study, together with the recommendations of Water Utility staff, shall be submitted to the Commission for its consideration and determination as to the establishment of the proposed Satellite Water System and any conditions thereof.

4.2.5 Refund of Advances for Feasibility Studies

If the Applicant funded the cost of the feasibility studies and those costs were included in the financial reimbursement package laid out in the study (LUD or applicable rate surcharge), the advances for the feasibility study shall be returned to the Applicant following acceptance by the Commission and transfer of the system to the District.

4.2.6 Agreements and Conveyances

Satellite management when approved by the Commission shall be implemented by agreements and conveyances in form acceptable to the District and prepared by District staff at the expense of the Applicant.

4.2.7 Rates, Fees and Charges

Rates and other charges pertaining to the establishment and/or operation of a Satellite Water System shall be such as to reflect the need that such system be self-supporting and once adopted by the Board be added to Appendix B, Table B-6, B-7, and B-8 as appropriate. Engineering fees for non-standard engineering services shall be established in the manner described in Section 2.6.5 of this Policies and Procedures Manual, for non-standard services.

4.3 Policies and Procedures for Contract Services

A Service Contract is utilized to establish the frequency, duration, cost, and specific responsibilities of the District in performing services. Services can be contracted on a continuous basis to provide routine system operation and maintenance, periodic well performance monitoring, required water quality monitoring, periodic equipment maintenance, scheduled repair activities, on-call emergency assistance, utility billing services, and/or other tasks.

4.3.1 Conditions

Listed below are the major policy and procedural considerations for contract services:

- (a) System improvements may be required to eliminate deficiencies associated with system reliability, safety, and water quality. Improvements required by the District will be completed prior to the District initiating service unless the District agrees to accomplish improvements as a part of the contract.
- (b) Contract services will be limited to systems where such services are cost-effective for the District.
- (c) Financing for system improvements is the applicant's responsibility.
- (d) The District will only provide services to systems where facilities are located on property owned by the system, public rights-of-way, utility easements, or where authorization for unrestricted access to all facilities that may require servicing, maintenance, repair or replacement, can be obtained.
- (e) If the Applicant intends to expand the system's service area, the District must approve of the expansion and/or be given the option to discontinue contract services.
- (f) The Applicant must designate a reasonably available individual to be an official contact with the District.

- (g) The District must receive, as appropriate, the legal authority from the Applicant to contract, assess costs, and be held harmless from service activities during the normal course of operations.

4.3.2 Review and Approval Procedures

- (a) Once Applicants have requested Contract Service assistance, they will be required to pay a fee to the District for the cost of conducting a preliminary feasibility study. The District must receive this study fee and all requested system data before the District will conduct a preliminary feasibility study of the system. The study is designed to identify all existing material defects, public health deficiencies and operational problems.
- (b) The District will provide the Applicant a list of all required improvements with an estimate of the costs associated with those improvements.
- (c) After reviewing the preliminary feasibility study results and evaluating the cost estimates, the Applicant may either withdraw the request for Contract Service or authorize the District to establish firm costs for the particular details of requested service. When determined by the District, firm costs will be reviewed with the Applicant.
- (d) If the costs are acceptable, the Applicant will complete specified system improvements or pay the District to do so on their behalf and enter into a contract with the District which specifies the details, frequency, duration, and costs of the service program.
- (e) If the Applicant withdraws the request for service at any time in the process, the District will retain the preliminary feasibility study fee.
- (f) The AGM or his or her designee shall have the authority to execute a service contract on behalf of the District.

4.4 Policies and Procedures for Support Assistance

The Support Assistance Program provides general technical assistance for improving water utility service within the County, if staffing and project workload allow. Primarily, the program is designed to support and assist smaller water utilities. Services may be provided either on a one-time or continuous basis.

There are several categories of services that the District can provide. Cost associated with providing these services can be established on a time and materials basis or through a lump-sum contract. Examples of services include:

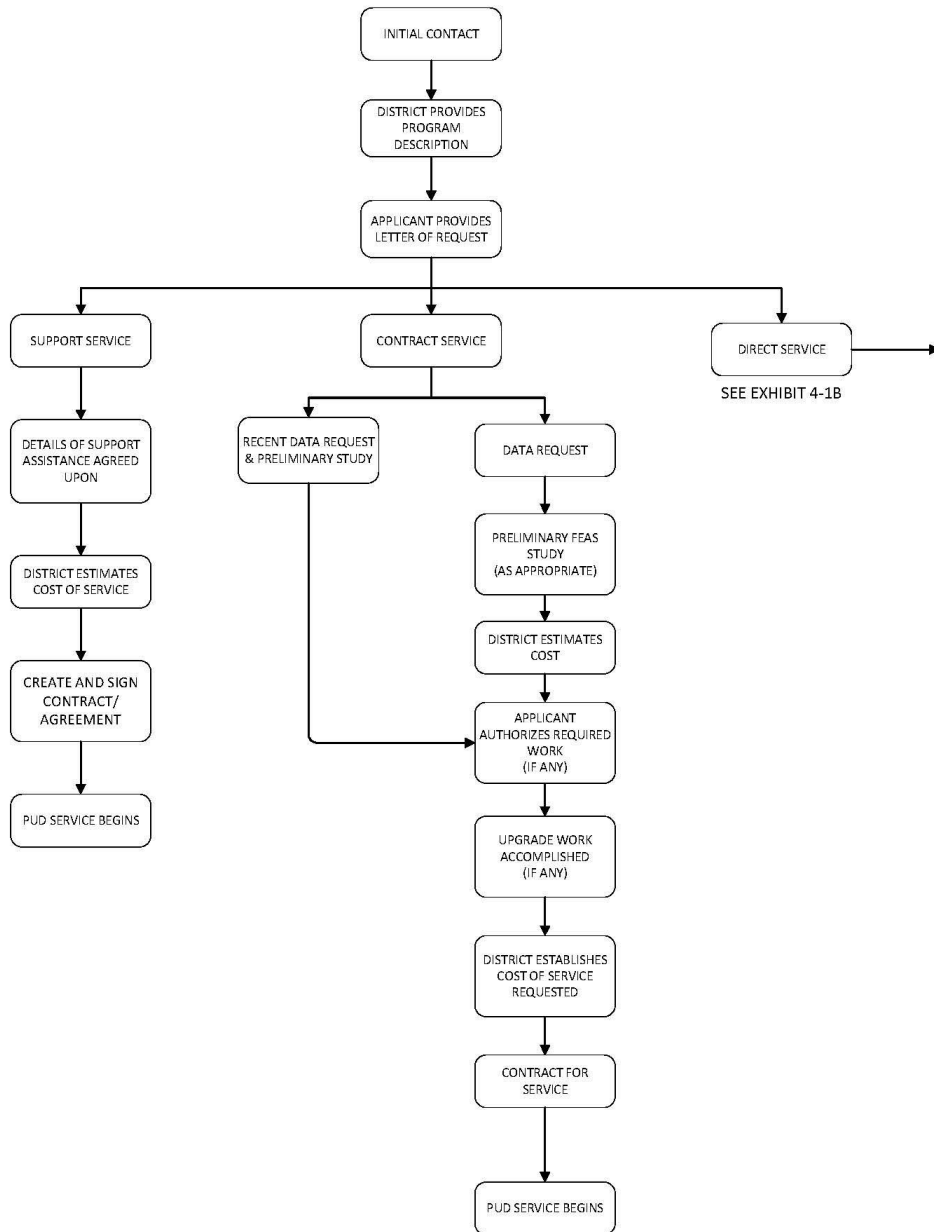
- Loan equipment or supplies to a system to handle a special circumstance.
- Provide engineering and/or technical expertise to a system that lacks necessary staff for certain tasks.
- Provide financial management/grant procurement assistance.
- Leadership and support to smaller utilities to ensure that its views are considered in formulating local and state regulatory actions.

4.4.1 Conditions

The Support Assistance Program relationship is one that will not impact a utility's wish to remain autonomous and operate at existing expenditure levels. The District is willing to evaluate any form of assistance to help utilities improve their level of service.

4.4.2 Review and Approval Procedures

- (a) The District and the applicant will execute either a formal contract or written agreement which will specify the exact responsibilities, staff, equipment, and other details required of the District in providing assistance.
- (b) The contract or agreement will establish the charges associated with providing service.
- (c) The AGM or his or her designee shall have the authority to execute a contract or agreement for support assistance, on behalf of the District.



SATELLITE SYSTEM PROGRAM SERVICE
 APPLICATION AND REVIEW PROCEDURES
 EXHIBIT 4-1A

