

WEST SOUND UTILITY DISTRICT

Board of Commissioners
Regular Board Meeting

November 7, 2022
3:00 PM

Please direct your smart device or computer to www.wsud.us/meetings for information on virtual attendance.

AGENDA

PUBLIC COMMENTS

CONSENT AGENDA

1. Approval of the Regular Board Meeting Minutes of November 7, 2022
2. Approval of Vouchers WSUD #30997 through #31027 in the amount of \$261,764.00
3. Approval of Vouchers SKWRF #17220 through #17242 in the amount of \$158,200.08
4. Approval of the November Payroll in the Amount of \$193,911.98

BOARD DISCUSSION/ACTION ITEM

1. Discussion, District Master Schedule of Fees and Charges
2. Resolution 1037-22, Amending Administrative Code Section 3.2.13, Regular Board Meetings/Meeting Schedule
3. Resolution 1038-22, Adopting 2023 Salary Schedule and Health Benefit Contribution
4. Resolution 1039-22, First Reading, Amending Water/Sewer Rates, Charges and Fees
5. Resolution 1040-22, First Reading, Amending Water/Sewer GFC Charges
6. Resolution 1041-22, First Reading, Adopting the 2023 SKWRF Annual Budget
7. Resolution 1042-22, First Reading, Adopting the 2023 WSUD Annual Budget
8. Resolution 1043-22, DEC, Bridgeview Trails Apartments, Harold Drive SE

STAFF REPORTS

1. Plant Manager
2. Operations Manager
3. Finance Manager
4. General Manager

COMMISSIONERS' REPORTS

EXECUTIVE SESSION

Executive Sessions may be scheduled or announced for discussions per RCW 42.30.110.

FUTURE MEETINGS

December 7	Regular Meeting
December 21	Regular Meeting
January 4	Regular Meeting

Executive Sessions may be scheduled as needed for personnel, legal and other similar matters.

The Board may add and take action on other items not listed on the agenda

WEST SOUND UTILITY DISTRICT
Minutes of Meeting of the Board of Commissioners
2924 SE Lund Avenue, Port Orchard, WA 98366
Monday, November 7, 2022 at 3:00 p.m.

Chairperson: Jerry Lundberg
Vice Chairperson: Susan Way-Absent
Commissioner: James J. Hart

Attending: John Tapia, Operation Manager
Marty Grabill, Plant Manager
Joy Ramsdell, Finance Manager
Amber Brooks, Accounting/Office Assistant

The meeting was called to order by Commissioner Lundberg at 3:00 p.m.

PUBLIC COMMENTS

None.

CONSENT AGENDA

1. Approval of the Regular Board Meeting Minutes of October 17, 2022
2. Approval of the Special Board Meeting Minutes of October 24, 2022
3. Approval of Vouchers WSUD #30948 through #30996 in the amount of \$88,154.44
4. Approval of Vouchers SKWRF #17192 through #17219 in the amount of \$73,335.91

Commissioner Hart moved to approve the items in the Consent Agenda. The motion was seconded by Commissioner Lundberg; motion approved 2-0.

BOARD DISCUSSION/ACTION ITEM

Presentation of the Rate Study for the WATER/Sewer Utilities

GM Screws went over the replacements made within the Rate Study for Water. Commissioner Jim Hart talked about possibly doing a Public Meeting, they will discuss it more at the next meeting.

Resolution 1034-22, Establishing A Green House Gas Policy

2-0

Resolution 1035-22, Appointing District Auditing Officer(s)

Didn't get signed, needs to be signed at the next BOC Meeting

Resolution 1036-22, Amending Policy, Authority to Approve Vouchers

2-0

STAFF REPORTS

PLANT MANAGER'S REPORT

Plant Manager Marty Grabill Reported

PSE Conservation Grant Agreement (2021-2023)

- Continuous work with PSE on Conservation Grant Agreement, year 2 of 3.
- Next workshop will be held 3rd of November.

Rotary Drum Thickener-ESCO (2022)

- Trane ordered the thickener from FKC.
- Piping order in process.
- Project kick off meeting on 9/26.
- No further updates.

Nutrient General Permit (2022)

- Ongoing testing and documentation.
- No updates on grant funding.

NPDES Reports

- Outfall inspection contactor cancelled. Reaching out to new outfits to perform the outfall inspection.
- Currently, we are attempting to get accredited in house for running these tests that we currently take to the labs,
- Industrial Storm Water Pollution Prevention Plan in progress.

OPERATIONS MANAGER'S REPORT

Operations Manager John Tapia Reported:

CIP - South Park Main Replacement

- Locate and survey completed for the site.
- WSE is working on the recommended easement.

Powell Booster Station Engineering

- Addendum for project received. This is for offsite pipe abandonment and upsizing, no update.

Sedgwick Water Main/Culvert Project

- We have been notified by WSDOT and Fisheries that the water main is in conflict with a new fish stream crossing culvert.
- Low bid came in at \$1,600,455.00 by Ceccanti.

- Project is paved. Punch list and clean up for completion.

Eisenhower Main Replacement

- Engineer's estimate is \$390,000.00.
- Low bid came in at \$401,455.00 by Pape and Sons.
- Project is complete pending County road inspection.

Fircrest/Mile Hill Main Replacement

- 2" galvanized to be replaced.
- Possible development going in, no update.

Olney Sewer Replacement

- Engineering contract has been signed with WSE.
- WSE is working on the design locate and survey schedule.

Well 21 Pump and Motor Replacement

- Holt has installed pump and motor.
- Mitchell Lewis agreed to warranty the pump, saving \$18,000.00.
- Pump and motor installed and pumping 640 GPM.
- Project is closing without L&I.

Crew:

1. St. Vincent DePaul project: City contacted about the permit. Reached out to Caseco for time update, October 20th.
2. Commercial water meter replacements continue, 55 commercial meters remain.
3. Flush and TV sewer work orders.
4. We have been watching and under and over currents have been hitting that station. PSE has been notified 4 times and they repeat that it is not an issue.

FINANCE MANAGER'S REPORT

Finance Manager Joy Ramsdell Reported:

- Billed consumption for 58m gallons, which is a 4% increase compared to October 2021.
- October billed revenues-Water \$399K, 11% increase, 4 new connections, Sewer \$421K, 10% up, add 2 new connections.
- 1763 online pay, 1548 auto pay and processed 38 final bills.
- Janet and Michael are working on verifying accounts with Jacob through Vueworks and making adjustments.
- Audit is continuing. Accountability: OPMA, financial condition, Financial statement, cash reconciliations, pension, AP expenses, Procurement, Contribution capital, fixed assets and Water/Sewer sales and service fees.

GENERAL MANAGER’S REPORT

General Manager Randy Screws Reported:

- Priority since our last Board meeting has been:
- Preparation of the 2023 budget.
- Working with State Auditor.
- Working on Master Schedule of Fees and Charges and fire line survey to develop fire service charges.
- Reviewing ADU Policies.
- Water System Plan was scheduled to be submitted to Department of Health last week.
- No Executive Session was requested.

COMMISSIONERS’ REPORTS

Nothing to report.

EXECUTIVE SESSION

No Exevutive Session was Requested.

ADJOURN

Commissioner Lundberg moved to adjourn the meeting at 3:35 p.m. The motion was seconded by Commissioner Hart; motion approved 2-0.

Jerry Lundberg
Chairperson

Susan Way
Vice-Chairperson

James Jay Hart
Secretary

**WEST SOUND UTILITY DISTRICT
RESOLUTION 1037-22**

**A RESOLUTION OF THE
WEST SOUND UTILITY DISTRICT BOARD OF COMMISSIONERS
AMMENDING SECTION 3.2.13
“REGULAR BOARD MEETINGS/MEETING SCHEDULE”
OF THE ADMINSTRATIVE CODE**

WHEREAS, West Sound Utility District Board of Commissioners has historically approved District policy through the adoption of resolutions and has a central and uniform location for identifying the District’s current policies; and

WHEREAS, on August 2, 2021 the Board of Commissioners adopted Resolution 963-21 updating the Board of Commissioners, Principles, Rules for Conduct of Board Meetings, Proceedings and Business is needed within the Administrative Code Book establishing a uniform Administrative Code Book; and

WHEREAS, an amendment to Section 3.2 is needed within the Administrative Code Book to accommodate a change in Regular Board Meeting days and times; and

WHEREAS, the District’s Board of Commissioners desires such changes to the policy; **NOW, THEREFORE**

THE BOARD OF COMMISSIONERS OF WEST SOUND UTILITY DISTRICT HEREBY RESOLVES:

Section 1. The Board of Commissioners hereby adopt the changes effective December 1, 2022 to the Administrative Coded in Section 3.2.13 as follows:

3.2.13 Regular Board Meetings/Meeting Schedule

Regular Board meetings are typically held the first and third ~~Monday’s~~ Wednesdays of each month at ~~3:00~~ 1:00 p.m. in the District’s meeting room at District headquarters located at 2924 SE Lund Avenue, Port Orchard, WA. 98366.

APPROVED and ADOPTED by the Board of Commissioners of West Sound Utility District at a regular scheduled Board meeting on November 21, 2022.

WEST SOUND UTILITY DISTRICT
Kitsap County, Washington

Jerry Lundberg
Chairperson

Susan Way
Vice Chairperson

James J. Hart
Secretary

**WEST SOUND UTILITY DISTRICT
RESOLUTION 1038-22**

**A RESOLUTION OF THE
WEST SOUND UTILITY DISTRICT BOARD OF COMMISSIONERS
APPROVING THE 2023 SALARY SCHEDULE AND EMPLOYEE'S
HEALTH INSURANCE BENEFIT CONTRIBUTIONS**

WHEREAS, West Sound Utility District Board of Commissioners has determined that a cost of living adjustment should be implemented for District employee's wages for 2023; and

WHEREAS, the August CPI-U index for Western Washington Exhibit "A" indicates that the cost of living increased by 8.8%; and

WHEREAS, the District provides health care benefit plans to the District's employees, and each fiscal year the Board sets an amount that the District contributes toward the cost of the employees' health insurance; **NOW, THEREFORE**,

THE BOARD OF COMMISSIONERS OF WEST SOUND UTILITY DISTRICT HEREBY RESOLVES:

Section 1. The attached Wage and Salary Schedule, Exhibit "B" which includes a cost of living increase of 8.8%, is hereby approved and shall be effective on January 1, 2023. The General Manager is covered by an employment contract with the District and is therefore exempt from the Exhibit "B" Salary Schedule.

Section 2. The contribution the District shall make to each employee's monthly health insurance benefit plan for fiscal year 2022 shall be increase by \$150.00 to be set at the following amount: full time employees - \$1,300/month and part time employees (20hrs.-30hrs./week) - \$975.00.

APPROVED and ADOPTED by the Board of Commissioners of West Sound Utility District at a regular scheduled meeting on November 21, 2022.

WEST SOUND UTILITY DISTRICT
Kitsap County, Washington

Jerry Lundberg
Chairperson

Susan Way
Vice Chairperson

James J. Hart
Secretary



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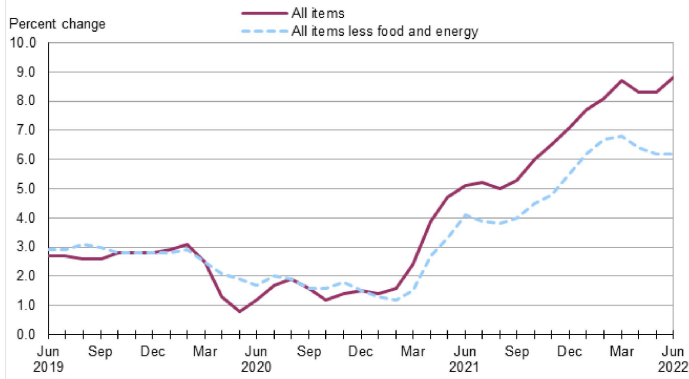
Consumer Price Index, West Region — June 2022

Area prices were up 1.2 percent over the past month, up 8.8 percent from a year ago

Prices in the West Region, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), advanced 1.2 percent in June, the U.S. Bureau of Labor Statistics reported today. (See [table A](#).) The June increase was influenced by higher prices for gasoline. (Data in this report are not seasonally adjusted. Accordingly, month-to-month changes may reflect seasonal influences.)

Over the last 12 months, the CPI-U increased 8.8 percent. (See [chart 1](#) and [table A](#).) Food prices jumped 10.6 percent. Energy prices jumped 36.6 percent, largely the result of an increase in the price of gasoline. The index for all items less food and energy advanced 6.2 percent over the year. (See [table 1](#).)

Chart 1. Over-the-year percent change in CPI-U, West region, June 2019–June 2022



Source: U.S. Bureau of Labor Statistics.

[View Chart Data](#)

News Release Information

22-1492-SAN
Wednesday, July 13, 2022

Contacts

Technical information:
(415) 625-2270

BLInfoSF@bls.gov
www.bls.gov/regions/west

Media contact:
(415) 625-2270

Related Links

[CPI historical databases](#)

Food

Food prices advanced 1.4 percent for the month of June. (See [table 1](#).) Prices for food at home advanced 1.4 percent with increases in all six food categories. Prices for food away from home also rose 1.4 percent for the same period.

Over the year, food prices increased 10.6 percent. Food at home jumped 12.8 percent for the year. All food subcategories rose by double-digits percentages since a year ago. Overall, prices for food away from home advanced 7.6 percent.

Energy

The energy index increased 5.4 percent over the month. The increase was mainly due to higher prices for gasoline (7.9 percent). Prices for natural gas service increased 5.6 percent, but prices for electricity decreased 0.5 percent for the same period.

Energy prices jumped 36.6 percent over the year, largely due to higher prices for gasoline (52.0 percent). Prices paid for natural gas service jumped 27.8 percent, and prices for electricity rose 10.5 percent during the past year.

All items less food and energy

The index for all items less food and energy increased 0.8 percent in June. Higher prices for new and used motor vehicles (1.9 percent) and shelter (0.7 percent) were partially offset by lower prices for medical care services (-0.1 percent).

Over the year, the index for all items less food and energy advanced 6.2 percent. Components contributing to the increase included household furnishings and operations (10.3 percent) and shelter (6.2 percent).

Table A. West region CPI-U 1-month and 12-month percent changes, all items index, not seasonally adjusted

Month	2018		2019		2020		2021		2022	
	1-month	12-month	1-month	12-month	1-month	12-month	1-month	12-month	1-month	12-month
January	0.5	3.1	0.2	2.7	0.3	2.9	0.2	1.4	0.9	7.7
February	0.5	3.1	0.2	2.4	0.4	3.1	0.5	1.6	0.8	8.1
March	0.4	3.2	0.4	2.4	-0.2	2.5	0.7	2.4	1.3	8.7
April	0.4	3.2	0.8	2.9	-0.4	1.3	1.0	3.9	0.7	8.3
May	0.5	3.5	0.5	2.9	0.1	0.8	0.8	4.7	0.8	8.3
June	0.2	3.6	0.0	2.7	0.4	1.2	0.9	5.1	1.2	8.8
July	0.1	3.6	0.0	2.7	0.5	1.7	0.6	5.2		
August	0.2	3.6	0.1	2.6	0.3	1.9	0.2	5.0		
September	0.3	3.4	0.3	2.6	0.0	1.6	0.2	5.3		

Month	2018		2019		2020		2021		2022	
	1-month	12-month	1-month	12-month	1-month	12-month	1-month	12-month	1-month	12-month
October	0.4	3.5	0.5	2.8	0.2	1.2	0.8	6.0		
November	-0.2	3.3	-0.1	2.8	0.0	1.4	0.5	6.5		
December	-0.2	3.1	-0.2	2.8	-0.1	1.5	0.4	7.1		

The July 2022 Consumer Price Index for the West Region is scheduled to be released on August 10, 2022.

Technical Note

The Consumer Price Index (CPI) is a measure of the average change in prices over time in a fixed market basket of goods and services. The Bureau of Labor Statistics publishes CPIs for two population groups: (1) a CPI for All Urban Consumers (CPI-U) which covers approximately 93 percent of the total U.S. population and (2) a CPI for Urban Wage Earners and Clerical Workers (CPI-W) which covers approximately 29 percent of the total U.S. population. The CPI-U includes, in addition to wage earners and clerical workers, groups such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force.

The CPI is based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and the other goods and services that people buy for day-to-day living. Each month, prices are collected in 75 urban areas across the country from about 6,000 housing units and approximately 22,000 retail establishments—department stores, supermarkets, hospitals, filling stations, and other types of stores and service establishments. All taxes directly associated with the purchase and use of items are included in the index.

The index measures price changes from a designated reference date; for most of the CPI-U the reference base is 1982-84 equals 100. An increase of 7 percent from the reference base, for example, is shown as 107.000. Alternatively, that relationship can also be expressed as the price of a base period market basket of goods and services rising from \$100 to \$107. For further details see the CPI home page on the Internet at www.bls.gov/cpi and the CPI section of the BLS Handbook of Methods available on the internet at www.bls.gov/opub/hom/cpi/.

In calculating the index, price changes for the various items in each location are averaged together with weights that represent their importance in the spending of the appropriate population group. Local data are then combined to obtain a U.S. city average. Because the sample size of a local area is smaller, the local area index is subject to substantially more sampling and other measurement error than the national index. In addition, local indexes are not adjusted for seasonal influences. As a result, local area indexes show greater volatility than the national index, although their long-term trends are quite similar. **NOTE: Area indexes do not measure differences in the level of prices between cities; they only measure the average change in prices for each area since the base period.**

The West Region covered in this release is comprised of the following thirteen states: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

Information in this release will be made available to sensory impaired individuals upon request. Voice phone: 202-691-5200; Telecommunications Relay Service: 7-1-1.

Table 1. Consumer Price Index for All Urban Consumers (CPI-U): Indexes and percent changes for selected periods

West (1982-84=100 unless otherwise noted)

Item and Group	Indexes				Percent change from-		
	Historical data	Apr. 2022	May 2022	Jun. 2022	Jun. 2021	Apr. 2022	May 2022
Expenditure category							
All Items		307.145	309.645	313.496	8.8	2.1	1.2
All items (December 1977=100)		496.483	500.524	506.748			
Food and beverages		309.523	312.918	317.106	10.3	2.4	1.3
Food		310.827	314.456	318.838	10.6	2.6	1.4
Food at home		296.397	299.993	304.172	12.8	2.6	1.4
Cereals and bakery products		296.523	300.153	305.463	12.7	3.0	1.8
Meats, poultry, fish, and eggs		333.278	338.424	342.481	13.5	2.8	1.2
Dairy and related products		266.489	275.029	277.787	13.4	4.2	1.0
Fruits and vegetables		380.205	381.664	385.744	10.3	1.5	1.1
Nonalcoholic beverages and beverage materials		207.667	210.726	211.020	10.6	1.6	0.1
Other food at home		249.705	251.380	257.084	14.8	3.0	2.3
Food away from home		327.934	331.529	336.151	7.6	2.5	1.4
Alcoholic beverages		288.754	288.689	290.005	5.0	0.4	0.5
Housing		333.144	335.311	337.805	7.2	1.4	0.7
Shelter		380.733	382.726	385.252	6.2	1.2	0.7

Footnotes

- (1) This index series was calculated using a Laspeyres estimator. All other item stratum index series were calculated using a geometric means estimator.
- (2) Indexes on a December 1982=100 base.
- (3) Indexes on a December 1997=100 base.
- (4) Special index based on a substantially smaller sample.
- (5) Indexes on a December 1993=100 base.
- (6) Indexes on a December 1977=100 base.

- Data not available

Regions defined as the four Census regions. West includes Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

NOTE: Index applies to a month as a whole, not to any specific date. Data not seasonally adjusted.

Item and Group	Indexes				Percent change from-		
	Historical data	Apr. 2022	May 2022	Jun. 2022	Jun. 2021	Apr. 2022	May 2022
Rent of primary residence(1)		402.333	404.198	406.873	5.6	1.1	0.7
Owners' equiv. rent of residences(1)(2)		399.367	401.519	404.144	6.1	1.2	0.7
Owners' equiv. rent of primary residence(1)(2)		399.190	401.344	403.973	6.0	1.2	0.7
Fuels and utilities		366.517	373.469	377.106	12.5	2.9	1.0
Household energy		316.902	325.330	329.280	15.1	3.9	1.2
Energy services(1)		317.845	326.508	329.956	14.4	3.8	1.1
Electricity(1)		352.316	356.644	354.959	10.5	0.8	-0.5
Utility (piped) gas service(1)		257.317	276.358	291.702	27.8	13.4	5.6
Household furnishings and operations		152.675	153.479	155.275	10.3	1.7	1.2
Apparel		122.895	122.382	122.336	5.7	-0.5	0.0
Transportation		279.914	285.185	295.312	18.9	5.5	3.6
Private transportation		276.601	280.414	290.744	18.6	5.1	3.7
New and used motor vehicles(3)		127.166	127.860	130.289	8.7	2.5	1.9
New vehicles		169.815	171.505	172.591	9.5	1.6	0.6
New cars and trucks(3)(4)							
New cars(4)		168.523	170.996	172.281	10.7	2.2	0.8
Used cars and trucks		198.827	200.407	204.799	7.4	3.0	2.2
Motor fuel		415.438	430.133	463.924	52.5	11.7	7.9
Gasoline (all types)		412.907	427.409	461.261	52.0	11.7	7.9
Gasoline, unleaded regular(4)		409.882	424.606	458.717	52.8	11.9	8.0
Gasoline, unleaded midgrade(4)(5)		391.619	404.185	435.612	50.3	11.2	7.8
Gasoline, unleaded premium(4)		398.622	411.339	441.970	48.7	10.9	7.4
Medical Care		563.983	566.873	567.250	4.9	0.6	0.1
Medical care commodities		426.330	427.357	430.052	3.0	0.9	0.6
Medical care services		606.513	609.977	609.643	5.3	0.5	-0.1
Professional services		386.357	387.767	387.899	3.3	0.4	0.0
Recreation(3)		122.587	122.490	123.361	3.3	0.6	0.7
Education and communication(3)		141.206	141.034	141.800	0.9	0.4	0.5
Tuition, other school fees, and child care(6)		1,564.665	1,566.464	1,582.560	4.5	1.1	1.0
Other goods and services		497.305	499.546	500.908	5.2	0.7	0.3
Commodity and Service Group							
All Items		307.145	309.645	313.496	8.8	2.1	1.2
Commodities		223.972	226.272	230.794	12.9	3.0	2.0
Commodities less food & beverages		180.579	182.356	186.739	14.6	3.4	2.4
Nondurables less food & beverages		240.215	243.622	252.083	21.4	4.9	3.5
Nondurables less food, beverages, and apparel		321.910	327.889	341.968	25.7	6.2	4.3
Durables		128.152	128.840	130.502	8.2	1.8	1.3
Services		382.716	385.326	388.311	6.3	1.5	0.8
Rent of shelter(2)		405.700	407.841	410.511	6.2	1.2	0.7
Transportation services		349.770	355.856	365.608	9.0	4.5	2.7
Other services		380.983	381.253	383.227	2.7	0.6	0.5
Special aggregate indexes:							
All items less medical care		295.328	297.802	301.783	9.1	2.2	1.3
All items less food		306.706	309.031	312.800	8.5	2.0	1.2














Footnotes

- (1) This index series was calculated using a Laspeyres estimator. All other item stratum index series were calculated using a geometric means estimator.
- (2) Indexes on a December 1982=100 base.
- (3) Indexes on a December 1997=100 base.
- (4) Special index based on a substantially smaller sample.
- (5) Indexes on a December 1993=100 base.
- (6) Indexes on a December 1977=100 base.

- Data not available

Regions defined as the four Census regions. West includes Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

NOTE: Index applies to a month as a whole, not to any specific date. Data not seasonally adjusted.

Item and Group	Indexes				Percent change from-		
	Historical data	Apr. 2022	May 2022	Jun. 2022	Jun. 2021	Apr. 2022	May 2022
All items less shelter		278.335	281.050	285.454	10.2	2.6	1.6
Commodities less food		184.938	186.692	191.052	14.3	3.3	2.3
Nondurables		275.383	278.804	285.238	15.1	3.6	2.3
Nondurables less food		244.446	247.677	255.785	20.2	4.6	3.3
Nondurables less food and apparel		318.396	323.822	336.728	23.7	5.8	4.0
Services less rent of shelter ⁽²⁾		396.432	399.962	403.705	6.3	1.8	0.9
Services less medical care services		367.087	369.635	372.832	6.4	1.6	0.9
Energy		378.794	390.935	411.874	36.6	8.7	5.4
All items less energy		304.966	306.854	309.614	6.8	1.5	0.9
All items less food and energy		304.805	306.402	308.894	6.2	1.3	0.8
Commodities less food and energy commodities		160.950	161.495	163.061	7.1	1.3	1.0
Energy commodities		422.320	437.032	471.276	52.3	11.6	7.8
Services less energy services		387.970	390.245	393.215	5.9	1.4	0.8
Footnotes							
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NOTE: Index applies to a month as a whole, not to any specific date. Data not seasonally adjusted.							

Last Modified Date: Wednesday, July 13, 2022

U.S. BUREAU OF LABOR STATISTICS Western Information Office Attn: EA & I, 90 Seventh Street Suite 14-100 San Francisco, CA 94103-6715

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Effective:

January 1, 2023

EXHIBIT "B"

Approved
COLA

Res XXXX-XX

8.80%

Pay Grade	Classification		01	02	03	04	05
27	General Manager - Contract						
26	No Classification Assigned	Yearly	121,952.46	128,050.08	134,452.58	141,175.21	148,233.97
		Monthly	10,162.70	10,670.84	11,204.38	11,764.60	12,352.83
25	No Classification Assigned	Yearly	116,145.20	121,952.46	128,050.08	134,452.58	141,175.21
		Monthly	9,678.77	10,162.71	10,670.84	11,204.38	11,764.60
24	No Classification Assigned	Yearly	110,614.48	116,145.20	121,952.46	128,050.08	134,452.58
		Monthly	9,217.87	9,678.77	10,162.71	10,670.84	11,204.38
23	No Classification Assigned	Yearly	105,347.12	110,614.48	116,145.20	121,952.46	128,050.08
		Monthly	8,778.93	9,217.87	9,678.77	10,162.71	10,670.84
22	Wastewater Treatment Plant Mgr	Yearly	100,330.59	105,347.12	110,614.48	116,145.20	121,952.46
	Finance Manager	Monthly	8,360.88	8,778.93	9,217.87	9,678.77	10,162.71
21	Operations Manager	Yearly	95,552.94	100,330.58	105,347.11	110,614.47	116,145.19
	<u>District Engineer (New Position)</u>	Monthly	7,962.74	8,360.88	8,778.93	9,217.87	9,678.77
20	No Classification Assigned	Yearly	91,002.80	95,552.94	100,330.59	105,347.12	110,614.48
		Monthly	7,583.57	7,962.75	8,360.88	8,778.93	9,217.87
19	<u>Lead Operator SKWRF (New Position)</u>	Yearly	86,669.33	91,002.79	95,552.93	100,330.58	105,347.11
	<u>Utility Foreman (Grade Adjusted)</u>	Monthly	7,222.44	7,583.57	7,962.74	8,360.88	8,778.93
18	<u>Maintenance Supervisor SKWRF (Retired)</u>	Yearly	82,542.21	86,669.32	91,002.79	95,552.93	100,330.58
	<u>Utility Foreman</u>	Monthly	6,878.52	7,222.44	7,583.57	7,962.74	8,360.88

Effective:
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COLA

January 1, 2023

Res XXXX-XX

8.80%

EXHIBIT "B"

Pay Grade	Classification		01	02	03	04	05
17	No Classification Assigned	Yearly	78,611.63	82,542.21	86,669.32	91,002.79	95,552.93
		Monthly	6,550.97	6,878.52	7,222.44	7,583.57	7,962.74
16	Electronics/Instrumentation Technician	Yearly	74,868.22	78,611.63	82,542.21	86,669.32	91,002.79
	Accountant	Monthly	6,239.02	6,550.97	6,878.52	7,222.44	7,583.57
15	Laboratory Analyst/WWTP Operator II	Yearly	71,303.07	74,868.22	78,611.63	82,542.21	86,669.32
	Inspector/Utility Specialist 3	Monthly	5,941.92	6,239.02	6,550.97	6,878.52	7,222.44
	GIS Specialist						
14	No Classification Assigned	Yearly	67,907.68	71,303.07	74,868.22	78,611.63	82,542.21
		Monthly	5,658.97	5,941.92	6,239.02	6,550.97	6,878.52
13	WWTP Operator I	Yearly	64,673.98	67,907.68	71,303.06	74,868.21	78,611.62
	Accounting Specialist	Monthly	5,389.50	5,658.97	5,941.92	6,239.02	6,550.97
	Utility Specialist 2						
12	Senior Customer Service Representative	Yearly	61,594.27	64,673.98	67,907.68	71,303.06	74,868.21
	Accounting Specialist III (New Position)	Monthly	5,132.86	5,389.50	5,658.97	5,941.92	6,239.02
11	Accounting/Administrative Asst. (P/T)	Yearly	58,661.21	61,594.27	64,673.98	67,907.68	71,303.06
	Utility Specialist 1	Monthly	4,888.43	5,132.86	5,389.50	5,658.97	5,941.92
	Operator Trainee						
10	Customer Service Representative	Yearly	55,867.82	58,661.21	61,594.27	64,673.98	67,907.68
	Accounting Specialist II (New Position)	Monthly	4,655.65	4,888.43	5,132.86	5,389.50	5,658.97

Effective:
Approved
COLA

January 1, 2023

Res XXXX-XX

8.80%

EXHIBIT "B"

Pay Grade	Classification		01	02	03	04	05
9	Utility Specialist Trainee	Yearly	53,207.44	55,867.82	58,661.21	61,594.27	64,673.98
	<u>Accounting Specialist I (New Position)</u>	Monthly	4,433.95	4,655.65	4,888.43	5,132.86	5,389.50
8	No Classification Assigned	Yearly	50,673.75	53,207.44	55,867.81	58,661.20	61,594.26
		Monthly	4,222.81	4,433.95	4,655.65	4,888.43	5,132.86
7	Accounting/Office Assistant	Yearly	48,260.72	50,673.76	53,207.45	55,867.82	58,661.21
		Monthly	4,021.73	4,222.81	4,433.95	4,655.65	4,888.43
6	No Classification Assigned	Yearly	45,962.59	48,260.72	50,673.76	53,207.45	55,867.82
		Monthly	3,830.22	4,021.73	4,222.81	4,433.95	4,655.65
5	No Classification Assigned	Yearly	43,773.89	45,962.58	48,260.71	50,673.75	53,207.44
		Monthly	3,647.82	3,830.22	4,021.73	4,222.81	4,433.95
4	No Classification Assigned	Yearly	41,689.42	43,773.89	45,962.58	48,260.71	50,673.75
		Monthly	3,474.12	3,647.82	3,830.22	4,021.73	4,222.81
3	No Classification Assigned	Yearly	39,704.21	41,689.42	43,773.89	45,962.58	48,260.71
		Monthly	3,308.68	3,474.12	3,647.82	3,830.22	4,021.73
2	No Classification Assigned	Yearly	37,813.54	39,704.21	41,689.42	43,773.89	45,962.58
		Monthly	3,151.13	3,308.68	3,474.12	3,647.82	3,830.22
1	No Classification Assigned	Yearly	36,012.89	37,813.54	39,704.22	41,689.43	43,773.90
		Monthly	3,001.07	3,151.13	3,308.69	3,474.12	3,647.83

**WEST SOUND UTILITY DISTRICT
RESOLUTION 1039-22**

**A RESOLUTION OF THE
WEST SOUND UTILITY DISTRICT
BOARD OF COMMISSIONERS
AMENDING WATER AND SEWER RATES,**

WHEREAS, RCW 57.08 authorizes water and sewer districts to establish water and sewer rates; and

WHEREAS, the District Board of Commissioners adopted Resolution 979-21 on November 2, 2020, which modified water and sewer rates, policies and procedures; and

WHEREAS, the District completed a Rate Study conducted by FCS Group in October of 2022 where contained within the final report, FCS Group recommended a rate schedule to address each utilities financial needs and established a financial plan; and

WHEREAS, in October of 2022, an addendum to the final report addressing the water utility was provided to the District to address the high inflationary numbers based on the June 2021 to June 2022 CPI-U West Index; and

WHEREAS, the District has determined it is necessary to update the water and sewer rates and associated fees; **NOW, THEREFORE**,

THE BOARD OF COMMISSIONERS OF WEST SOUND UTILITY DISTRICT HEREBY RESOLVES:

Section 1. The Board of Commissioners hereby amends the water rates as identified within the rate schedule in the October 2022 Addendum to the Final Report Exhibit “A”; and the sewer rates as identified in the October 2022 Final Report Exhibit “B” as set forth in the attached Exhibit “C”. This resolution shall take effect and be in full force on January 1, 2023.

APPROVED and ADOPTED by the Board of Commissioners of West Sound Utility District at a Board meeting scheduled on December 7, 2022.

WEST SOUND UTILITY DISTRICT
Kitsap County, Washington

Jerry Lundberg
Chairperson

Susan Way
Vice Chairperson

James J. Hart
Secretary

OCTOBER 2022 ADDENDUM TO FINAL REPORT

Background

Following the completion of the draft report of the rate study, the District notified FCS GROUP that it has experienced significant cost increases in the water utility due to inflation and higher than expected construction bids. Based on conversations with District staff, it is recommended that a higher rate increase is implemented for the water utility in 2023.

Rate Structure

To calculate the additional revenues needed to cover the higher costs, the 2023 inflation assumption was adjusted from 2.50 percent to 8.75 percent based on the June 2021 to June 2022 CPI-U West index. The result was an additional \$95,000 to the 2023 cost forecast. As a percentage of current rate revenues, this represents 2.55 percent of rates, increasing the 2023 rate adjustment from 6.80% to 9.35%. Exhibit 1 provides the amended rate schedule that applies the additional 2.55 percent to all customer classes in 2023. The amended rate schedule also accounts for the cost-of-service results outlined in Section III of the report.

Exhibit 1: Amended Water Rate Schedule

	Current 2022	COS 2023	COS 2024	COS 2025	COS 2026	COS 2027
System-Wide Rate Increase		9.35%	6.80%	6.80%	5.00%	5.00%
Base Rate						
5/8", 3/4"	\$19.26	\$21.10	\$22.58	\$24.16	\$25.85	\$27.66
1"	\$35.90	\$39.33	\$42.08	\$45.03	\$48.18	\$51.55
1.5"	\$64.11	\$70.23	\$75.15	\$80.41	\$86.04	\$92.06
2"	\$98.74	\$108.17	\$115.74	\$123.84	\$132.51	\$141.79
3"	\$194.88	\$213.49	\$228.43	\$244.42	\$261.53	\$279.84
4"	\$301.29	\$330.06	\$353.16	\$377.88	\$404.33	\$432.63
6"	\$588.49	\$644.69	\$689.82	\$738.11	\$789.78	\$845.06
Volume Charge: per ccf of water usage						
<i>Single-Family (BiMonthly)</i>						
Block 1	\$2.31	\$2.51	\$2.66	\$2.74	\$2.82	\$2.90
Block 2	\$2.67	\$2.90	\$3.07	\$3.16	\$3.25	\$3.35
Block 3	\$3.10	\$3.37	\$3.57	\$3.68	\$3.79	\$3.90
<i>Multi-Family (Monthly)</i>						
Block 1	\$3.26	\$3.34	\$3.34	\$3.34	\$3.34	\$3.34
Block 2	\$3.77	\$3.87	\$3.87	\$3.87	\$3.87	\$3.87
Block 3	\$4.36	\$4.47	\$4.47	\$4.47	\$4.47	\$4.47
<i>Commercial (Monthly)</i>						
Block 1	\$2.54	\$2.88	\$3.20	\$3.55	\$3.73	\$3.92
Block 2	\$2.95	\$3.35	\$3.72	\$4.13	\$4.34	\$4.56
Block 3	\$3.41	\$3.87	\$4.30	\$4.77	\$5.01	\$5.26
<i>Agricultural/Irrigation (Monthly)</i>						
Block 1	\$3.26	\$3.88	\$4.52	\$5.27	\$6.14	\$7.15
Block 2	\$3.77	\$4.49	\$5.23	\$6.09	\$7.09	\$8.26
Block 3	\$4.36	\$5.19	\$6.05	\$7.05	\$8.21	\$9.56

West Sound Utility District

WATER AND SEWER RATE STUDY

FINAL REPORT
October 2022

Washington

7525 166th Avenue NE, Ste. D215
Redmond, WA 98052
425.867.1802

Oregon

4000 Kruse Way Pl., Bldg. 1, Ste 220
Lake Oswego, OR 97035
503.841.6543

Colorado

1320 Pearl St, Ste 120
Boulder, CO 80302
719.284.9168

www.fcsgroup.com

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FCS GROUP
Solutions-Oriented Consulting

October 26, 2022

Randy Screws, General Manager
West Sound Utility District
2924 SE Lund Ave
Port Orchard, WA 98366

Subject: Water and Sewer Rate Study

Dear Randy:

FCS GROUP is pleased to submit this final report of the Water and Sewer Rate Study. The report summarizes the methodology, findings, and recommendations for each of the core elements of the study.

The table below outlines the forecasted annual rate revenue adjustments for the water and sewer utilities from 2023 to 2027. Full rate schedules can be found for the water utility in **Exhibit 3.9** and for the sewer utility in **Exhibit 4.9**. Annual rate adjustments are assumed to be implemented January 1st each year.

Utility	2023	2024	2025	2026	2027
Water	6.8%	6.8%	6.8%	5.0%	5.0%
Sewer	3.5%	4.0%	4.0%	4.0%	4.0%

It has been a pleasure working with you and other District staff on this effort. Please let me know if you have any questions or need additional information on this report. I can be reached at (425) 615 – 6056.

Sincerely,



Angie Sanchez Virnoche
Project Principal



Matt Hobson
Project Manager



Chase Bozett
Senior Analyst

TABLE OF CONTENTS

Table of Contents	i
Section I. Executive Summary	1
I.A. Introduction.....	1
I.B. Water Utility	1
I.C. Sewer Utility	5
I.D. Summary	8
Section II. Rate Setting Principles and Methodology	9
II.A. Overview	9
II.B. Fiscal Policies.....	10
II.C. Revenue Requirement	11
II.D. Cost of Service	12
II.E. Rate Design.....	12
Section III. Water Utility.....	13
III.A. Introduction.....	13
III.B. Revenue Requirement	13
III.C. Cost of Service	16
III.D. Rate Design.....	21
III.E. Summary	23
Section IV. Sewer Utility	24
IV.A. Introduction.....	24
IV.B. Revenue Requirement	24
IV.C. Sewer Cost of Service Analysis	27
IV.D. Rate Design.....	30
IV.E. Summary	32

Section I. EXECUTIVE SUMMARY

I.A. INTRODUCTION

In 2020, West Sound Utility District (“District”) contracted with FCS GROUP to conduct a Water and Sewer Rate Study. The study reviewed each utility’s financial needs over the 2022 through 2027 planning period. The overall objective of the study was to establish a financial plan for each utility (revenue requirements analysis) that will inform future financial decisions and their impacts, promote long-term sustainability, maintain equitable rates by customer class (cost-of-service analysis), and achieve the District’s revenue policy objectives (rate design).

The methods used to establish user rates are based on principles that are generally accepted and widely followed throughout the industry. These principles are designed to produce rates that equitably recover costs from each customer or class of customers based upon the unique demands each class places upon the respective utility. This is accomplished by setting the appropriate level of revenue to be collected from rate payers and establishing a rate structure to equitably collect those revenues.

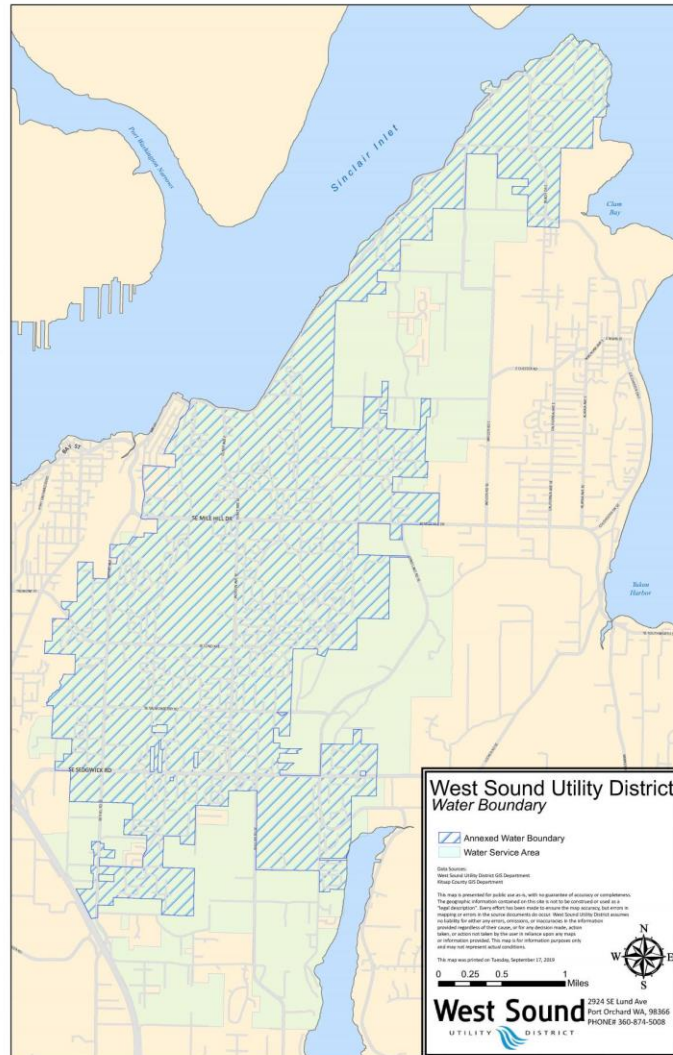
The key analyses completed as part of the rate study include:

- **Revenue Requirement.** This analysis identifies the total revenue requirement to fully fund each utility on a standalone basis, considering operating and maintenance expenditures, capital funding needs, debt requirements and fiscal policy objectives.
- **Cost-of-Service.** This analysis equitably distributes costs to customer classes based on their proportional demand and use of the water and sewer systems.
- **Rate Design.** This analysis includes the development of rate structures that generate sufficient revenue to meet each system’s revenue requirement forecast and that address the District’s pricing objectives.

I.B. WATER UTILITY

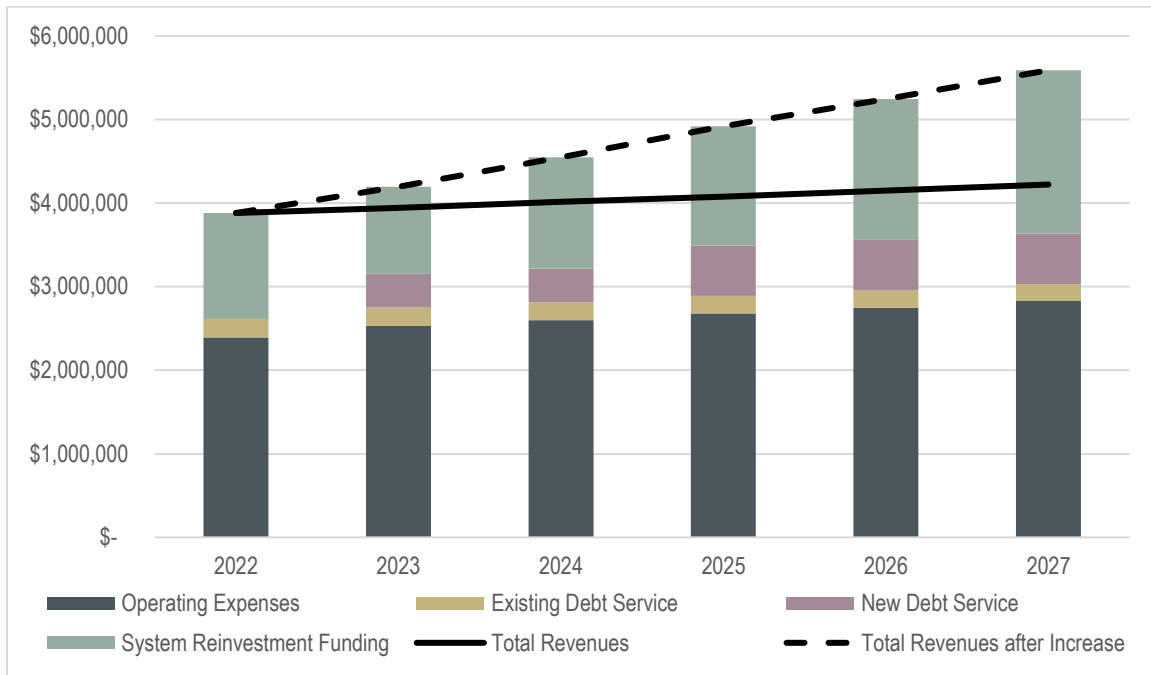
The District owns and operates its water system, which is responsible for providing adequate and uninterrupted water supply for clean, safe, potable water for commercial consumption and fire protection. The water system provides service to approximately 7,100 connections in the service area outlined in **Exhibit 1.1**.

Exhibit 1.1: Water Service Area



A revenue requirement analysis forms the basis for a long-range operating and capital financial plan and multi-year rate management strategy. The analysis is developed by completing an operating forecast that identifies future annual operating costs and a capital funding plan that defines a strategy for funding the capital improvement needs of the District. The operating forecast was developed for the 2022 through 2027 planning period. During the study, a 2022 rate increase was adopted by the Board. This report will focus on the remainder of the forecast from 2023 to 2027. **Exhibit 1.2** provides a summary of the water system revenue requirement findings.

Exhibit 1.2: Water Utility Revenue Requirement Summary



Summary of water utility revenue requirement:

- With the adoption of the Board approved 2022 rate increases, current rate levels are sufficient to meet existing annual financial obligations.
- During the 2023 - 2027 rate setting period, existing revenues are sufficient to cover O&M expenses and both existing and new forecasted debt service.
- Of the approximately \$20.55 million in identified capital needs, 36.5 percent (\$7.5 million) of the forecasted capital plan is financed by debt proceeds.
- To meet projected financial obligations for the water utility and fund capital projects, rate increases are proposed at 6.8 percent annually in 2023 – 2025 followed by 5.0 percent annually in 2026 and 2027.
- Debt service coverage on bonded debt remains above 3.5X in all years of the forecast while debt service coverage on all debt remains above 3.3X during the forecast.

The cost of service for the water utility determines equitable cost recovery in proportion to the demands each customer class places on the system based on functions of service and known or assumed cost causation. The functions of service reviewed for the water utility include:

- **Customer Costs:** associated with establishing, maintaining, and serving water customers.
- **Meters & Services Costs:** associated with the installation, maintenance, and repair of meters and services.
- **Base Costs:** related to the average level of service provided to meet demand on a year-round basis and are essentially correlated with year-round water consumption.
- **Peak Costs:** related to peak demand service typically associated with the ability of the system to provide capacity to customers with higher-than-average volume, which usually occurs during the summer months.

- **Fire Protection Costs:** associated with the ability of the system to provide adequate capacity and water flow corresponding to minimum fire safety standards required to serve its customer base.
- **Pumping:** associated with costs to provide operations and maintenance to District-owned pumps to supply water service to customers.

Exhibit 1.3 provides a summary of the water utility’s revenue distribution based on the cost-of-service analysis (COSA) conducted as part of this study.

Exhibit 1.3: Comparison of Water Current Revenue Distribution to Cost of Service Distribution

Class	Existing 2023		COSA 2023		Difference	
	Revenue		Revenue		\$	%
Residential	\$ 2,468,685		\$ 2,713,010		\$ 244,325	9.90%
Multi-Family	730,881		472,476		(258,405)	-35.36%
Commercial	360,250		438,808		78,559	21.81%
Private Fire Service	-		91,659		91,659	
Agricultural	159,925		256,730		96,805	60.53%
Total	3,719,740		3,972,682		252,942	6.80%

Because costs fluctuate each year, the needed increase by class can also fluctuate and interclass rate changes are not suggested unless the class’s revenue difference is outside the plus-or-minus 5.0 percent threshold. The COSA results indicate that revenues for the residential class are within the cost of service. Currently, multi-family rate revenue exceeds the cost to provide service and, as a result, subsidizes the cost of other customer classes. At this time, the District does not charge customers with public hydrants or private fire lines for service. FCS Group provided a technical memorandum to the District documenting the cost of these services and fee recovery options.

To address the recommended shifts between classes based on the cost-of-service results, updated rates were forecasted through 2027. For consistency between classes, the fixed charges increased at the same rate for all classes while the variable charges were set individually to phase-in the revenue collected from customer classes towards the cost-of-service targets. **Exhibit 1.4** shows the currently adopted 2022 rates as well as forecasted rates through the rest of the study period to increase cost equity between the customer classes.

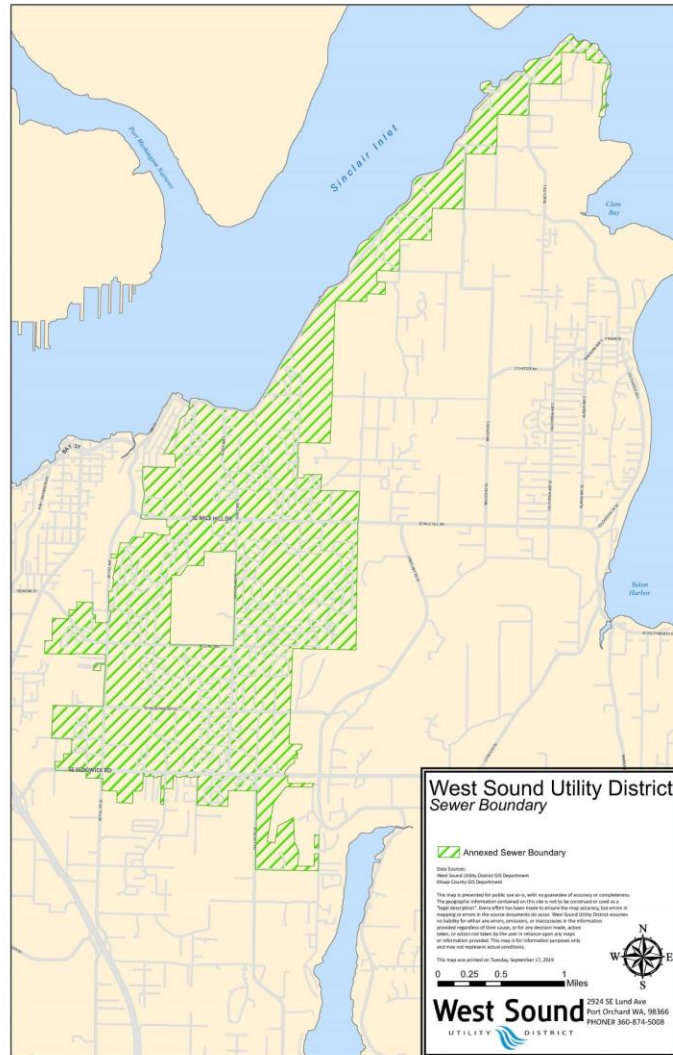
Exhibit 1.4: Existing and Proposed Monthly Water Rates (2022 – 2027)

	Current 2022	COS 2023	COS 2024	COS 2025	COS 2026	COS 2027
System-Wide Rate Increase		6.8%	6.8%	6.8%	5.0%	5.0%
Base Rate						
5/8", 3/4"	\$19.26	\$20.61	\$22.05	\$23.59	\$25.24	\$27.01
1"	\$35.90	\$38.41	\$41.10	\$43.98	\$47.06	\$50.35
1.5"	\$64.11	\$68.60	\$73.40	\$78.54	\$84.04	\$89.92
2"	\$98.74	\$105.65	\$113.05	\$120.96	\$129.43	\$138.49
3"	\$194.88	\$208.52	\$223.12	\$238.74	\$255.45	\$273.33
4"	\$301.29	\$322.38	\$344.95	\$369.10	\$394.94	\$422.59
6"	\$588.49	\$629.68	\$673.76	\$720.92	\$771.38	\$825.38
Volume Charge: per ccf of water usage						
<i>Single-Family (BiMonthly)</i>						
Block 1	\$2.31	\$2.45	\$2.60	\$2.68	\$2.76	\$2.84
Block 2	\$2.67	\$2.83	\$3.00	\$3.09	\$3.18	\$3.28
Block 3	\$3.10	\$3.29	\$3.49	\$3.59	\$3.70	\$3.81
<i>Multi-Family (Monthly)</i>						
Block 1	\$3.26	\$3.26	\$3.26	\$3.26	\$3.26	\$3.26
Block 2	\$3.77	\$3.77	\$3.77	\$3.77	\$3.77	\$3.77
Block 3	\$4.36	\$4.36	\$4.36	\$4.36	\$4.36	\$4.36
<i>Commercial (Monthly)</i>						
Block 1	\$2.54	\$2.82	\$3.13	\$3.47	\$3.64	\$3.82
Block 2	\$2.95	\$3.27	\$3.63	\$4.03	\$4.23	\$4.44
Block 3	\$3.41	\$3.79	\$4.21	\$4.67	\$4.90	\$5.15
<i>Agricultural/Irrigation (Monthly)</i>						
Block 1	\$3.26	\$3.80	\$4.43	\$5.16	\$6.01	\$7.00
Block 2	\$3.77	\$4.39	\$5.11	\$5.95	\$6.93	\$8.07
Block 3	\$4.36	\$5.08	\$5.92	\$6.90	\$8.04	\$9.37

I.C. SEWER UTILITY

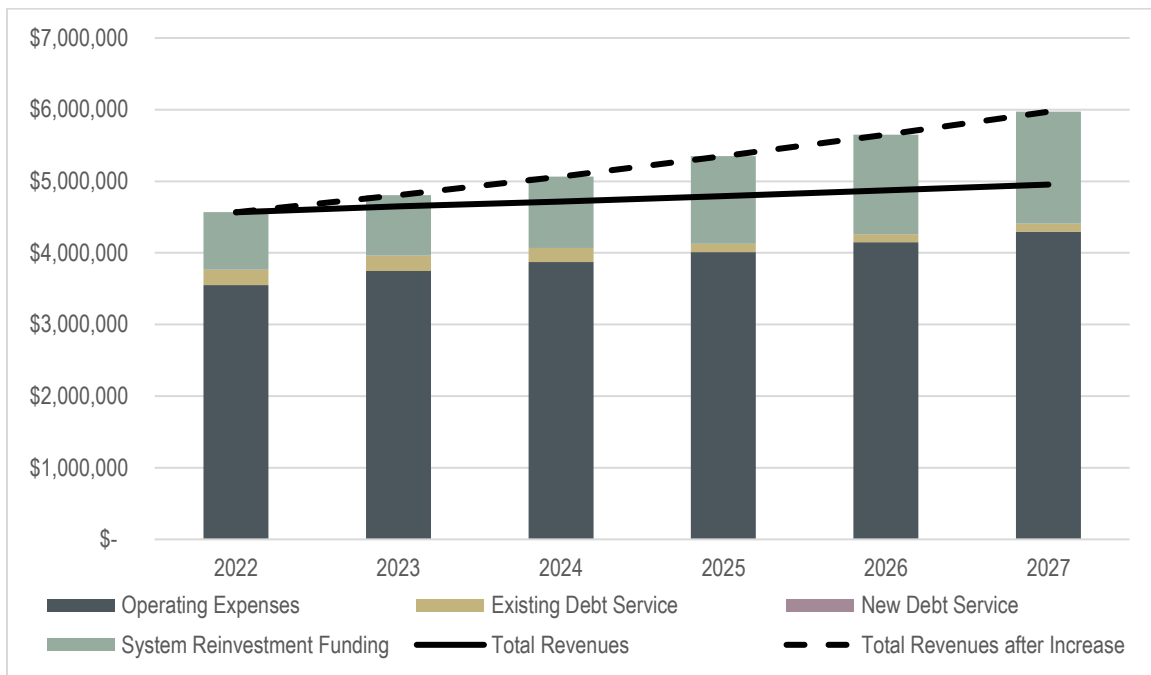
The District owns a sewer collection system that provides uninterrupted sanitary sewer conveyance and mitigates overflows into streams, lakes, and private properties. As a separate entity, the District jointly owns the South Kitsap Water Reclamation Facility (SKWRF), a wastewater treatment plant that provides treatment for both the District and the City of Port Orchard. This analysis will only evaluate the District’s collection system and proportional share of SKWRF treatment costs. The sewer service area provides services to approximately 4,000 connections in the area outlined in **Exhibit 1.5**.

Exhibit 1.5: Sewer Service Area



Similar to the water utility, a revenue requirement was completed for the sewer utility and forms the basis for the long-range financial plan and multi-year financial management strategy. The operating forecast was developed for the 2023 through 2027 time period. **Exhibit 1.6** provides a summary of the sewer system revenue requirement findings.

Exhibit 1.6: Sewer Utility Revenue Requirement Summary



Summary of sewer revenue requirement:

- With the adoption of the Board approved 2022 rate increases, current rate levels are sufficient to meet existing annual financial obligations.
- During the 2023 - 2027 rate setting period, existing revenues are sufficient to cover O&M expenses and existing debt service.
- The capital improvement plan over this time totals \$10.2 million and would be funded through rates. No new debt is forecasted for the sewer system.
- To meet projected financial obligations for the sewer utility and fund capital projects, rate increases are proposed at 3.5 percent in 2023 followed by annually 4.0 percent through 2027.
- Debt service coverage on bonded debt remains extremely strong ranging from 34.7X to 52.4X during the forecast. Debt service coverage on all debt also remains strong ranging from 6.6X to 18.5X during the period.

The cost-of-service for the sewer utility determines equitable cost recovery in proportion to the demands each customer class places on the system based on functions of service and known or assumed cost causation. Because the wastewater treatment plant is treated as a separate entity, the collection system only has two functions. The functions of service reviewed for the sewer utility include:

- **Customer Costs:** associated with providing service to customers.
- **Sewer Flow Costs:** related to actual and estimated sewer volume processed within the system in a year.

Exhibit 1.7 provides a summary of the sewer utility’s revenue distribution based on the cost-of-service analysis (COSA) conducted as part of this study.

Exhibit 1.7: Comparison of Sewer Current Revenue Distribution to Cost of Service Distribution

Class	Existing 2023	COSA 2023	Difference	
	Revenue	Revenue	\$	%
Residential	\$ 2,533,178	\$ 2,695,959	\$ 162,782	6.4%
Multi-Family Residential	1,209,635	1,253,426	43,791	3.6%
Non-Residential	758,797	709,781	(49,016)	-6.5%
Total	\$ 4,501,609	\$ 4,659,166	\$ 157,556	3.5%

It should be noted, given the need for assumptions to complete a cost-of-service analysis, the variance for class-specific results is typically considered to be plus-or-minus 5.0 percent, relative to the system average. A cost-of-service study is a snapshot in time and because costs fluctuate each year, the needed increase by class can also fluctuate and interclass rate changes are not suggested unless the class’s revenue difference is consistently outside of the 5.0 percent threshold.

The cost-of-service results indicate that for the most part, each customer class is within the 5.0 percent threshold. Currently, revenues from the non-residential class are slightly subsidizing the residential class. To address the relatively minor shifts between classes based on the cost-of-service results, updated rates were forecasted through 2027. **Exhibit 1.9** shows the existing 2022 and proposed 2023 – 2027 rate schedule.

Exhibit 1.8: Existing and Proposed Monthly Sewer Rate Schedule (2022 – 2027)

	Current 2022	COS 2023	COS 2024	COS 2025	COS 2026	COS 2027
Fixed Charge by Class						
Residential (BiMonthly)	\$64.92	\$67.68	\$70.89	\$74.26	\$77.79	\$81.49
Multifamily up to Tri-Plex (BiMonthly)	\$64.92	\$67.52	\$70.56	\$73.74	\$77.06	\$80.72
Non-Residential (Monthly)	\$49.81	\$49.81	\$50.31	\$50.81	\$51.32	\$51.32
Public Parks - Veterans Memorial Park (Monthly)	\$64.92	\$64.92	\$65.57	\$66.23	\$66.89	\$66.89
Public Parks - South Kitsap Community Park (Monthly)	\$133.43	\$133.43	\$134.76	\$136.11	\$137.47	\$137.47
Golf Course - Village Greens (Monthly)	\$133.43	\$133.43	\$134.76	\$136.11	\$137.47	\$137.47
Volume Charge: per ccf of water usage (Non-Residential Only)	\$8.23	\$8.23	\$8.31	\$8.39	\$8.47	\$8.47

I.D. SUMMARY

The rate studies completed for the water and sewer utilities indicate a need for future rate increases to address forecasted increases in operating costs, to fund upcoming capital expenses and to satisfy all financial obligations of the utilities.

We recommend that the District revisit the results of the rate study annually and view the study findings as a living document by continuously comparing study outcomes to actual revenues and expenses. Any significant or unexpected changes may require adjustments to the rate strategy proposed.

Section II. RATE SETTING PRINCIPLES AND METHODOLOGY

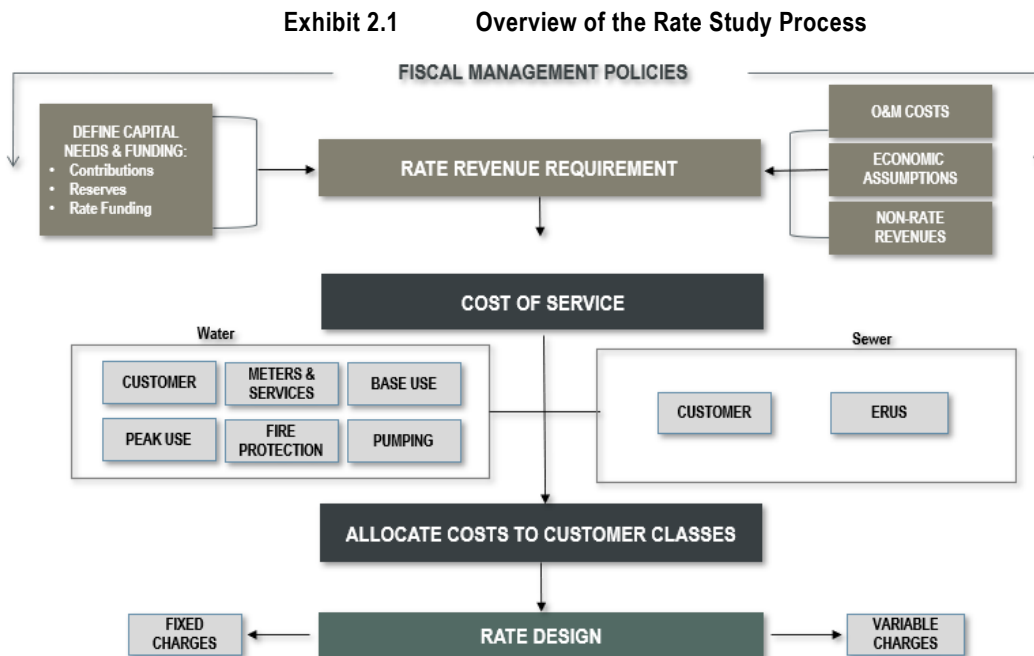
II.A. OVERVIEW

The methods used to establish user rates are based on principles that are generally accepted and widely followed throughout the industry. These principles are designed to produce rates that equitably recover costs from each class of customer by setting the appropriate level of revenue to be collected from ratepayers and establishing a rate structure to collect those revenues.

The three key analyses completed as part of the rate study process are listed below:

- **Revenue Requirement:** This analysis identifies the total revenue requirement to fully fund each utility on a standalone basis, considering operating and maintenance expenditures, capital funding needs, debt requirements and fiscal policy objectives.
- **Cost of Service:** This analysis equitably distributes costs to customer classes based on their proportional demand and use of the system.
- **Rate Design:** This analysis includes the development of rate structures that generate sufficient revenue to meet each system’s revenue requirement forecast and to address the District’s pricing objectives.

Exhibit 2.1 illustrates the entire rate study process.



II.B. FISCAL POLICIES

The basic framework for evaluating utility revenue needs consists of a set of fiscal policies. These policies, which can address a variety of topics including cash management, capital funding strategy, financial performance, and rate equity, are intended to promote long-term financial viability for the District's utilities. Topics addressed in the fiscal policy resolution include reserves, system reinvestment funding, debt management, revenue sufficiency, and rate equity.

II.B.1. Utility Reserves

Reserves are a key component of any utility financial strategy as they provide the flexibility to manage variations in costs and revenues that could otherwise have an adverse impact on ratepayers. The financial plans included the following reserve categories:

- **Operating Reserve:** Operating reserves are designed to provide a liquidity cushion to ensure that adequate cash will be maintained to deal with significant variations in cash balance such as seasonal fluctuations in billings and receipts, unanticipated cash expenses, or lower than expected revenue collections. Industry practice is to maintain a minimum balance in the operating reserve equal to between 60 to 120 days of operations and maintenance (O&M) expenses for a water utility; 30 to 90 days for a sewer utility depending on the utility's rate structure. These, of course, are guidelines and actual levels should be established based upon a jurisdiction's unique needs and tolerance for risk. It is assumed that any operating funds above the minimum reserve target are available for capital purposes and will be transferred to the capital reserve. Based on the District's current policy, the minimum targets of 90 days for water and 55 days for sewer were maintained.
- **Capital Reserve:** A capital contingency reserve is an amount of cash set aside in case of an emergency should a piece of equipment or a portion of the utility's infrastructure fail unexpectedly. The reserve also could be used for other unanticipated capital needs including capital project cost overruns. Industry practices for this reserve range from maintaining a balance equal to one to two percent of fixed assets, an amount equal to a five-year rolling average of Capital Improvement Program (CIP) costs, or an amount determined sufficient to fund equipment failure (other than catastrophic failure). The final target level should balance industry practices with the risk level of the District. Based on the District's current policy, the minimum target was set based on the replacement costs of the largest non-transmission asset for water and largest non-collection asset for sewer.

Reserves should fluctuate above and below targets, and such experience does not reflect on the quality of budgeting or management. In fact, if a reserve remains static for extended periods of time without use, this may indicate that it is not set appropriately, or is unnecessary. Utility reserves are intended to absorb fluctuation in revenues or expenditures without abrupt rate impacts. As reserve levels vary, a policy structure can define the mechanisms for regulating those levels and returning them to intended targets.

- **Debt Reserve:** Bond covenants often establish reserve requirements as a means of protecting against the risk of nonpayment and are typically specified as a part of these covenants. A common reserve requirement is one year's debt service payment and a debt service coverage ratio of 1.25 to 2.00 times. The balance held in reserve for a particular debt instrument may be used to make the final payment on that debt instrument. The District must continue to fully fund such reserves as required by bond covenant or loan agreement. Since the debt reserve provides a static reserve against inability to pay, it is unnecessary to maintain operating reserves against debt

repayment. For the purpose of this study, the recommended policy for the utilities is to maintain a debt service coverage ratio of at least 1.75X per individual utility and at least 2.00X on a combined utility basis.

II.B.2. System Reinvestment Funding

System reinvestment funding promotes long-term system integrity. There are many metrics that a utility can choose when establishing a policy including but not limited to: a set dollar amount, equal to a percentage of depreciation expense, and a percentage of replacement cost.

For this study, the benchmark chosen is the annual replacement cost depreciation for each utility (estimated at \$1.6 million and \$1.4 million annually for the water and sewer utilities respectively). Due to the financial impact to rates by implementing this policy, the policy is phased in over the study period and each utility reaches the full replacement cost level of system reinvestment funding by 2026.

II.B.3. Debt Management

Debt issuance is a valuable tool for the District to use to finance certain costs as it allows the District to spread a relatively large cost over multiple years. Debt repayment structures can be quite flexible (e.g., deferred principal repayment), allowing the District to “shape” its cost structure and facilitate a stable progression of moderate rate adjustments.

When developing its capital funding strategy, the District must weigh the pros and cons of issuing debt to pay for a project. On one hand, debt issuance comes with interest and issuance costs that increase the overall cost borne by the utilities; on the other hand, it may mitigate rate impacts and enhance “generational equity,” given that the District would generally issue debt to fund infrastructure that is oversized to serve future growth. Too much debt issuance may limit the District’s ability to manage its rates, as the debt service payments and related requirements (such as revenue bond coverage) are “rigid” costs that generally cannot be deferred or scaled back; it may also impact the District’s credit rating and ability to secure low-cost debt. Conversely, excessive aversion to issuing debt can create problems, as it shifts the burden of funding capital investment to existing customers and may require maintaining higher reserve levels to manage cash flow needs related to capital investment. It is prudent to consider policies related to debt management as part of a broader utility financial policy structure.

II.C. REVENUE REQUIREMENT

A revenue requirement analysis forms the basis for a long-range financial plan and multi-year rate management strategy for each system. It also enables the District to set utility rate structures which fully recover the total cost of operating each system: capital improvement and replacement, operations, maintenance, general administration, fiscal policy attainment, cash reserve management, and debt repayment. Linking rate levels to a financial plan such as this helps to enable not only sound financial performance for the District’s utility funds, but also establishes a clear and reasonable relationship between the costs imposed on utility customers and the costs incurred to provide the service.

A revenue requirement analysis establishes the total annual financial obligations of the utility by bringing together the following core elements:

- **Fiscal Policy Analysis:** Identifies formal and informal fiscal policies of the District to ensure that current policies are maintained, including reserve levels, rate funded capital and debt service coverage.
- **Capital Funding Plan:** Defines a strategy for funding the District’s capital improvement program, including an analysis of available resources from rate revenues, debt financing, and any special resources that may be readily available (e.g., grants, outside contributions, etc.).
- **Operating Forecast:** Identifies future annual non-capital costs associated with the operation, maintenance, and administration of the system.
- **Sufficiency Testing:** Evaluates the sufficiency of revenues in meeting all financial obligations, including any coverage requirements associated with long-term debt.
- **Strategy Development:** Designs a forward-looking strategy for adjusting rates to fully fund all financial obligations on a periodic or annual basis over the projection period.

II.D. COST OF SERVICE

The purpose of a cost-of-service analysis is to provide a rational basis for distributing the full costs of each utility service to each class of customers in proportion to the demands they place on the system. Detailed cost allocations, along with appropriate customer class designations, help to sharpen the degree of equity that can be achieved in the resulting rate structure design. The key analytical steps of the cost-of-service analysis are as follows:

- **Functional Cost Allocation:** Apportions the annual revenue requirement to the major functions of the system:
 - » Water: customer (general customer costs), meters & services (reading and servicing meters), base (average use), peak (highest use), fire protection (fire specific costs), and pumping (pumping specific costs).
 - » Sewer: customer (general customer costs) and flow (ERUs of flow through the collection system).
- **Customer Class Designation:** Identifies the customer classes that will be evaluated as part of the study. Existing as well as new or revised customer classes or class definitions may be considered. It is appropriate to group customers that exhibit similar usage characteristics and service requirements.
- **Cost Allocation:** Allocates the costs from the functional cost allocation to different customer classes based on their unique demands for each service as defined by system planning documents, industry standards, and recorded user history (from billing data). The results identify shifts in cost recovery by customer class from that experienced under the existing rate structure.

II.E. RATE DESIGN

The principal consideration of rate design is for the rate structure to generate sufficient revenues for the system which are reasonably commensurate with the cost of providing service. The pricing structure is largely dictated by the objectives of the system. Most rate designs consist of fixed and variable charges. Fixed charges typically attempt to cover costs of the system that do not vary while variable charges will fluctuate with a change in user demand.

Other considerations include understandability by the rate payer, administrative ease, revenue stability, interclass and intraclass customer cost equity, conservation, and affordability.

Section III. WATER UTILITY

III.A. INTRODUCTION

The District owns and operates its water system, which is responsible for providing adequate and uninterrupted water supply for clean, safe, potable water for commercial consumption and fire protection. The water system provides service to 7,100 connections within the service area.

III.B. REVENUE REQUIREMENT

A revenue requirement analysis forms the basis for a long-range financial plan and multi-year rate management strategy. The analysis is developed by completing an operating forecast that identifies future annual operating costs and a capital funding plan that defines a strategy for funding the capital improvement needs of the District.

III.B.1. Operating Forecast

The purpose of the operating forecast is to determine whether the existing rates and charges are sufficient to recover the costs the District incurs to operate and maintain the water system. The 2022 budget largely formed the baseline for this forecast. The operating forecast was developed for the 2023 through 2027 time period. The following list highlights some of the key assumptions used in the development of the water utility operating forecast.

III.B.1.a Operating Revenue

- **Rate Revenue:** was based on a projection of 2022 rate revenue including the approved 6.8 percent rate increase.
- **Non-Rate Revenue:** consists of permit fees, new meter fees, late fees, interest income, hydrant rental charges, South Kitsap Water Reclamation Facilities (SKWRF) support, and other miscellaneous fees. Non-rate revenues are projected at approximately \$200,000 annually.
- **Customer Growth:** is forecasted at 1.75 percent annually based on Port Orchard's population allocation in the Puget Sound Regional Council Vision for 2040.
- **Interest Earnings:** was projected at 1.0 percent per year for all years of the forecast period.

III.B.1.b O&M Expenses

- **General Cost Inflation:** was set at 2.5 percent based on feedback from District staff and in alignment with internal forecasting practices.
- **Construction Cost Inflation (CCI):** was set at 4.0 percent annually based on feedback from the District.
- **Labor Cost Inflation:** was set at 2.5 percent consistent with general cost inflation based on feedback from the District.
- **Benefit Cost Inflation:** was set at 3.25 percent based on feedback from the District.
- **Electricity Inflation:** was assumed to be 0.35 percent based on staff input.

- **Additional O&M Expenses:** approximately \$81,000 was added to the forecast in 2023 to represent 0.5 FTE added for one on-site engineer.

III.B.1.c Debt Service

- **Existing Debt Service:** ranges from a high of \$225,000 in 2022, dropping to \$205,000 annually by 2027 as the District pays off a loan. The District has one outstanding revenue bond and three Public Works Trust Fund (PWTF) loans:
 - » Revenue Bond: payments of \$165,000 annually that will be paid off in 2028.
 - » Unbonded Loans: payments ranging from \$60,000 in 2022 to \$50,000 in 2024 as one of the loans is paid off by the utility.
- **New Debt Service:** A total of \$7.5 million, through two debt issuances, are forecasted in the study period. The first debt issuance is assumed to be \$5.0 million in 2023, followed by an issuance of \$2.5 million in 2025. These issuances are all conservatively assumed to be revenue bonds, with an interest rate of 4.0 percent, issuance cost of 1.0 percent and a term of 20 years. New debt service payments are forecasted to be \$400,000 annually in 2023, increasing to \$600,000 annually with the second issuance in 2025.

III.B.1.d Rate-funded Capital

- Rate-funded capital is a way to ensure system integrity through reinvestment in the system. The annual revenue target is equal to the estimated replacement cost depreciation of system assets. Due to the financial impact to rates by implementing this level of rate-funded capital, the target is phased in over the study period and the utility reaches the full replacement cost level of system reinvestment funding by 2026 (\$1.7 million).

III.B.2. Capital Funding Plan

The water utility is anticipating \$20.6 million in capital costs through the forecast period (adjusted for inflation). Major projects include: Sedgwick Main Relocation Project (\$2.2 million), Main on Jackson from Salmonberry to Sedgwick (\$1.2 million), and Main on Bethel from Lund to Salmonberry (\$1.3 million).

Funding for the capital plan comes from a number of different sources:

- **Cash balances (including interest) and system reinvestment funding:** Cash balances and system reinvestment funding include the beginning capital fund balance, any cash flow from the operating fund above what is needed to meet the operating fund reserve target and available cash after meeting the minimum capital reserve target. Cash balances and system reinvestment funding are forecast to fund \$10.5 million of the capital plan through 2027, about 50.9 percent of total capital expenditures in the rate setting forecast period.
- **General Facilities Charge (GFC) revenue:** GFC revenues are forecast at the existing fee levels and are based on the District's area specific permit forecast resulting in 150 to 160 new connections annually. Connection fee revenue is anticipated to contribute \$2.6 million over the rate setting period and fund approximately 12.6 percent of the capital plan.
- **Revenue bond proceeds:** Two revenue bond issuances are forecasted, \$5 million in 2023 and \$2.5 million in 2025. The proceeds of each revenue bond are spread over a two year period to cover funding gaps. Revenue bond proceeds are forecasted to fund 36.5 percent of the capital plan.

Exhibit 3.1 provides a summary of the funding sources for the capital expenditures. A detailed capital plan can be found in the excel model provided to the District.

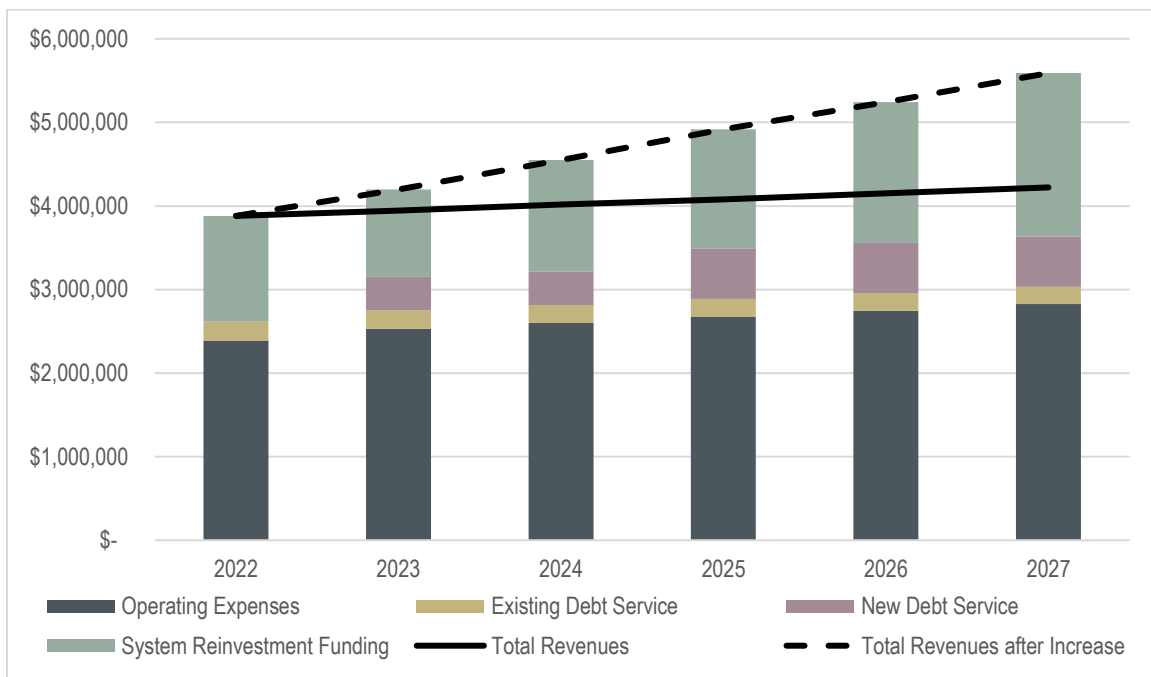
Exhibit 3.1 Water Capital Funding Summary

Funding Summary	2022	2023	2024	2025	2026	2027	Total
Total Capital Costs	\$ 4,366,455	\$ 4,181,855	\$ 3,706,655	\$ 2,886,781	\$ 1,624,615	\$ 3,784,089	\$ 20,550,451
Funding Sources							
Cash Balances and System Reinvestment Funding	\$ 3,946,455	\$ 2,035,868	\$ -	\$ 1,141,617	\$ -	\$ 3,342,665	\$ 10,466,605
General Facilities Charge Revenue	420,000	424,200	428,442	432,726	437,054	441,424	2,583,846
Revenue Bond Proceeds	-	1,721,787	3,278,213	1,312,438	1,187,562	-	7,500,000
Total Capital Funding	\$ 4,366,455	\$ 4,181,855	\$ 3,706,655	\$ 2,886,781	\$ 1,624,615	\$ 3,784,089	\$ 20,550,451

III.B.3. Summary of Revenue Requirement

The operating forecast components of O&M expenses, debt service and rate-funded capital come together to form the multi-year revenue requirement. The revenue requirement compares the overall revenue available to the water system to the expenses to evaluate the sufficiency of rates on an annual basis. **Exhibit 3.2** provides a summary of the water system revenue requirement findings.

Exhibit 3.2 Water Utility Revenue Requirement Summary



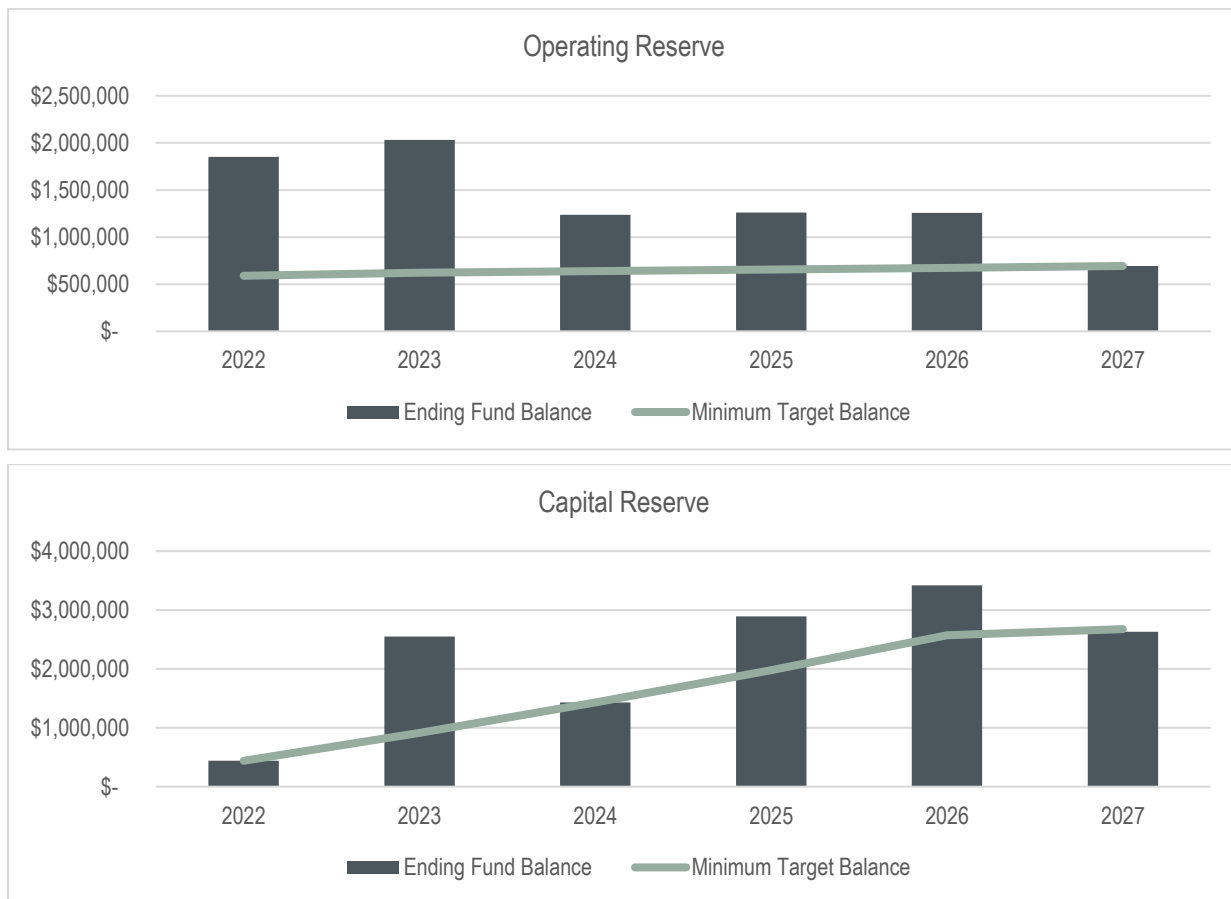
Summary of water utility revenue requirement:

- In 2022, with the inclusion of the approved 6.8% rate increase, current rate levels are sufficient to meet existing annual financial obligations.
- During the 2023 - 2027 rate setting period, existing revenues are sufficient to cover O&M expenses and both existing and new forecasted debt service. However, system reinvestment annual funding targets are not fully supported by existing revenue.
- To meet projected financial obligations for the water utility and fund capital projects, rate increases are proposed at 6.8 percent annually in 2023 – 2025 followed by 5.0 percent annually in 2026 and 2027.
- Debt service coverage on bonded debt remains above 3.5X in all years of the forecast while debt service coverage on all debt remains above 3.3X during the forecast.

Reserves

Exhibit 3.3 shows a summary of the projected operating and capital reserves through 2027 based on the rate forecast presented above. The bars represent projected ending fund balances for each year and the horizontal lines represent the minimum targets for operating and capital reserves. The rate strategy described above is projected to maintain operating reserves at or above the minimum target level of 90 days of operating and maintenance expenses (\$0.6 million to \$0.7 million over the forecast period). This strategy is also projected to maintain capital reserves at or above the minimum target level. The annual capital reserve target increases from 2023 to 2026 as the District phases into the target funding level equal to the replacement cost of the largest non-transmission asset.

Exhibit 3.3 Operating and Capital Target Balances



III.C. COST OF SERVICE

A cost-of-service analysis determines the equitable recovery of costs from customers according to the unique demands each customer class places on the system. There are three fundamental steps to allocating the annual revenue requirement to customer classes and developing the final rates – 1) allocate utility assets and total utility costs by function, 2) develop customer-specific allocation factors and 3) allocate costs to customer classes. The methodology used conforms to industry practices as identified by the American Water Works Association (AWWA) Principles of Water Rates, Fees and Charges, M1 Manual.

III.C.1. Allocation of Utility Assets by Function

The District’s water utility assets in service were reviewed to identify their uses as they relate to providing water service. This allocation assigns value and costs to functional categories based on documented system requirements, including engineering criteria, (e.g. average demand, peak demand, etc.) and industry standard practice based on the relationship of each class of asset and their function in the system. Assets are allocated to the functions of service according to known or assumed cost “causation”. The functions of service to which the District’s assets were allocated are discussed below.

- **Customer costs:** associated with establishing, maintaining, and serving water customers and tend to include administrative, billing, and customer service costs. These costs are generally uniform by customer regardless of their meter size or demand placed on the water system.
- **Meters & Services costs:** associated with the installation, maintenance, and repairs of meters and services. These costs are typically allocated based on number of connections and meter size.
- **Base costs:** related to average service provided on demand and are essentially correlated with year-round water consumption.
- **Peak costs:** related to peak demand service typically associated with the ability of the system to provide capacity to customers with higher-than-average volume, which usually occurs during the summer months.
- **Fire Protection costs:** associated with the ability of the system to provide adequate capacity and water flow corresponding to minimum fire safety standards required to serve customers. These costs are mostly incremental costs related to providing storage, distribution capacity, and hydrants for fire protection.
- **Pumping costs:** associated with costs to pump water to all customers within the District’s service area.

Exhibit 3.4 Water Utility Functional Plant (Assets) in Service

Plant in Service	Total Replacement Cost	FUNCTIONS OF WATER SERVICE							TOTAL
		CUSTOMER	METERS & SERVICES	BASE	PEAK	FIRE PROTECTION	PUMPING	AS ALL OTHERS	
Supply & Treatment	\$ 7,465,861	0.00%	0.00%	48.28%	51.72%	0.00%	0.00%	0.00%	100.00%
Pumping	5,436,316	0.00%	0.00%	48.28%	51.72%	0.00%	0.00%	0.00%	100.00%
Storage	9,382,226	0.00%	0.00%	38.75%	41.52%	19.73%	0.00%	0.00%	100.00%
Transmission & Distribution	15,976,404	0.00%	0.00%	34.31%	36.76%	28.93%	0.00%	0.00%	100.00%
Meters & Services	781,557	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Hydrants	734,609	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	100.00%
General Plant	6,662,473	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%
Total Utility Plant	\$ 46,439,445	\$ -	\$ 781,557	\$ 15,346,951	\$ 16,441,365	\$ 7,207,099	\$ -	\$ 6,662,473	\$ 46,439,445
Water Service Functions		\$ 0.00%	\$ 1.96%	\$ 38.58%	\$ 41.33%	\$ 18.12%	\$ 0.00%	\$ -	\$ 100.00%
Allocation of *As All Others*		\$ -	\$ 130,907	\$ 2,570,549	\$ 2,753,858	\$ 1,207,158	\$ -	\$ (6,662,473)	\$ -
TOTAL	\$ 46,439,445	\$ -	\$ 912,464	\$ 17,917,500	\$ 19,195,223	\$ 8,414,258	\$ -	\$ -	\$ 46,439,445
Allocation Percentages		0.00%	1.96%	38.58%	41.33%	18.12%	0.00%	0.00%	100.00%

The allocation basis (shown in **Exhibit 3.4**) used for the major functions of service are as follows:

- **Supply and Treatment assets:** are allocated based on the peak demand ratio of maximum day to average day (2.07 from the 2012 Water System Plan). Assets were allocated 48.28 percent to base and 51.72 percent to peak.
- **Pumping assets:** are also allocated based on the peak demand ratio of maximum day to average day (2.07 from the 2012 Water System Plan). Assets were allocated 48.28 percent to base and 51.72 percent to peak.

- **Storage assets:** are allocated based on a storage analysis that categorized storage into operating, equalizing, emergency/standby, fire suppression and demand management storage. The storage analysis was based on Table 3-15 of the 2012 Water System Plan and was used to determine the use of storage facilities to meet average, peak, fire requirements or a combination. Assets were allocated to 38.75 percent to base, 41.52 percent to peak, and 19.73 percent to fire.
- **Transmission and Distribution assets:** are allocated based on a pipe analysis of the transmission and distribution network. In the analysis, the water mains between the size of 8 and 12 inches are assumed to have been upsized 2 inches from the minimum requirement for fire protection. The proportion of additional flow available is allocated to fire protection while the remaining amount is allocated based on the peak demand ratio between base and peak. For all pipe inventory not between 8 and 12 inches, those assets are assumed to be allocated between base and peak based on the peak demand ratio. The results of the analysis show 34.31 percent to base, 36.76 percent to peak, and 28.93 percent to fire.
- **Meters & Service assets:** are allocated 100 percent to the meters and service function.
- **Hydrant assets:** are allocated 100 percent to fire.
- **General assets:** are allocated as all other plant assets and allocated in proportion to the assets defined above.

The result of the functional asset allocation is 0 percent to customer, 2 percent allocated to meters & services, 39 percent to base, 41 percent to peak, and 18 percent to fire. The resulting asset allocation is referred to as the “plant in service” allocation and is used to allocate annual costs if the cost supports the total utility system.

III.C.2. Allocation of Utility Costs by Function

Following the functionalization of the utility’s assets, the revenue requirement for 2023 is then allocated to these same functions of service based on cost allocation factors derived from the plant-in-service, system planning data, and other known costs. The functionalization of the revenue requirement is described in the bullets below:

- **Administrative Costs:** allocated to as all other costs.
- **Office Operating Supplies:** allocated to as all other costs.
- **Small Tools, Supplies, and Equipment:** allocated as plant in service.
- **Water Conservation and Communication Services:** allocated all to customer.
- **Main Replacement Materials:** allocated based on transmission and distribution assets.
- **Pump Replacement Materials:** allocated based on pump assets.
- **Treatment Chemicals:** allocated based on peak demand ratio.
- **SCADA:** allocated based on supply and treatment allocation.
- **Permit Fees:** allocated all to customer.
- **Meters, Reads, and Setters:** allocated all to meters and services.
- **Added On-Site Engineer:** allocated based on plant-in-service.
- **Existing and New Debt Service:** allocated as plant-in-service.
- **System Reinvestment Funding:** allocated as plant-in-service.

The allocation of the revenue requirement to the functions of service is summarized in **Exhibit 3.5**.

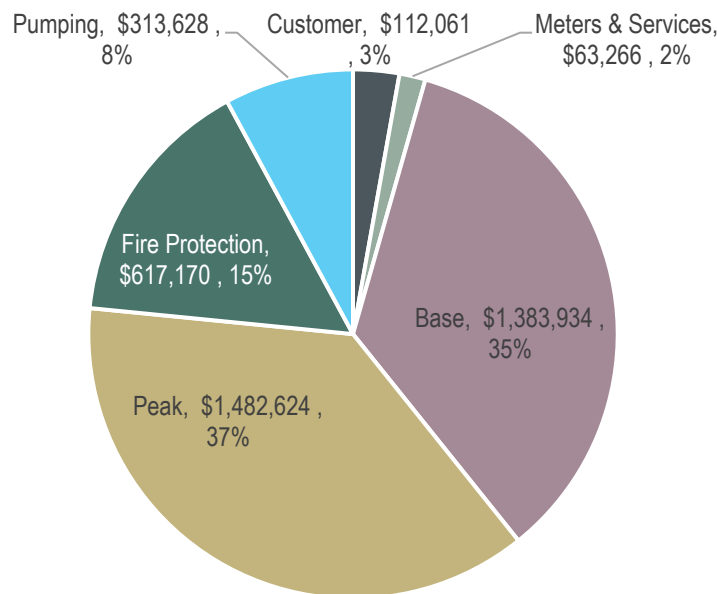
Exhibit 3.5 2023 Water Utility Functional Cost Allocation

Function	Total Revenue Requirement	%
Customer	\$ 112,061	2.8%
Meters & Services	63,266	1.6%
Base	1,383,934	34.8%
Peak	1,482,624	37.3%
Fire Protection	617,170	15.5%
Pumping	313,628	7.9%
Total	\$ 3,972,682	100%

The cost allocation indicates that the largest portion of costs, 37 percent, relate to meeting peak water demands, followed by 35 percent related to meeting base (average) water demands, 15 percent to fire protection, 8 percent to pumping, 3 percent to customer, and 2 percent to meters and services.

Exhibit 3.6 provides a summary of the functional cost allocation results.

Exhibit 3.6 Water Utility Functional Cost Allocation Summary (2023 Forecast)



III.C.3. Customer Class Distinctions

The District’s current customer classes include a residential class, a multi-residential class, a commercial class, and an agricultural class. The cost-of-service analysis was completed for each of these classes. At the time of this report, the District is considering implementing a new private fire service class. Any findings related to this potential new customer class will be documented in a separate technical memorandum.

III.C.4. Allocation Factors

Once the customer classes were defined, functional cost pools (shown in **Exhibit 3.6**) were then allocated to these customer classes based on the unique demands each class places on the system. In order to complete this task, the analysis consisted of first developing allocation factors that identified customer characteristics including number of accounts, consumption levels, peak demand patterns,

and fire flow requirements. The allocation factors are intended to equitably allocate total functional cost pools to those benefitting from the service. For this study, the water fund costs were allocated to customer classes based on:

- **Customer costs:** allocated on the basis of the number of customer accounts.
- **Meters & Services costs:** allocated on the basis of the number of meter service equivalents.
- **Base costs:** allocated on the basis of total annual water use.
- **Peak costs:** allocated on the basis of the ratio between each class’s peak month use to their average total use, multiplied by their total use.
- **Fire Protection costs:** allocated on the basis of the number of accounts and their associated fire flow gallons per minute and duration requirements based on Kitsap County fire flow requirements.
- **Pumping costs:** allocated on the basis of total number of Equivalent Residential Units (ERUs).

Exhibit 3.7 summarizes the allocation factors used and allocations for the customer classes evaluated in the cost-of-service analysis.

Exhibit 3.7 Water Utility Customer Allocation Factors

Customer Class	Customer	Meters & Services	Base	Peak	Fire Protection	Pumping	Total
Allocation Basis	Accounts	Meter Service Equivalents	Total Use	Peak Use	Kitsap County Fire Flow Requirements	Equivalent Residential Units	
Residential	88.2%	80.0%	67.8%	64.7%	76.0%	63.1%	68.3%
Multi-Family	3.5%	7.2%	12.8%	11.6%	3.0%	30.9%	11.9%
Commercial	7.1%	10.3%	13.6%	12.3%	6.1%	5.1%	11.0%
Agricultural	1.2%	2.4%	5.9%	11.4%	0.0%	0.9%	6.5%
Private Fire Service	0.0%	0.0%	0.0%	0.0%	14.9%	0.0%	2.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The cost of service by class was calculated by multiplying the functional cost pools by the allocation factor distribution percentages. Ultimately, this element of the analysis defines the total annual revenue that should be generated from each customer class, in order to achieve cost-based recovery from rates.

III.C.5. Water Utility Cost of Service Results

Exhibit 3.8 provides a comparison of current rate revenue distribution between customer classes and the results of the cost-of-service analysis.

Exhibit 3.8 Comparison of Water Current Revenue Distribution to Cost of Service Distribution

Class	Forecasted 2023 Revenue	%	2023 Cost of Service Allocation	%	\$ Difference	%
Residential	\$ 2,468,685	66.4%	\$ 2,713,010	68.3%	\$ 244,325	9.9%
Multi-Family	\$ 730,881	19.6%	\$ 472,476	11.9%	\$ (258,405)	-35.4%
Commercial	\$ 360,250	9.7%	\$ 438,808	11.0%	\$ 78,559	21.8%
Agricultural	\$ 159,925	4.3%	\$ 256,730	6.5%	\$ 96,805	60.5%
Private Fire Service	\$ -	0.0%	\$ 91,659	2.3%	\$ 91,659	
Total	\$ 3,719,740	100.0%	\$ 3,972,682	100.0%	\$ 252,942	6.8%

Because costs fluctuate each year, the needed increase by class can also fluctuate and interclass rate changes are not suggested unless the class’s revenue difference is outside the plus-or-minus 5.0 percent threshold. The COSA results indicate that the Residential class is within this threshold while the Multi-Family class is currently subsidizing the Commercial and Agricultural classes.

III.D. RATE DESIGN

The principal objective of the rate design stage is to implement water rate structures that collect the appropriate level of revenue. Establishing rates is a blend of “art” and “science” and especially so when it comes to the rate levels and structures. Several variables must be balanced to arrive at optimal rates and include revenue stability and efficiency of use.

III.D.1. Existing Water Rates

The existing water rate structure is composed of a fixed charge and a variable charge. Some key aspects of the current rate design are the following:

- **Fixed Charge:** A fixed monthly charge is applied to all customer classes on a uniform basis depending on the customer’s meter size. Bills are distributed to Single-Family customers on a bi-monthly basis while all other classes are billed on a monthly basis.
- **Variable Charge:** All customer classes are billed based on three tiers of water usage measured as the number of 100 cubic feet (ccf) used. Single-Family customers are billed using the same tier thresholds (regardless of an up-sized meter) based on the customer’s bi-monthly usage. All other customer classes are billed on separate thresholds depending on their meter size and monthly usage.
 - » As better detailed customer data becomes available, we recommend that the District evaluate the varying tier sizes for non-Single-Family customers and consider refining and/or establishing a uniform usage charge for each customer class.

District Resolution 1019-22 Exhibit A describes the fixed charges and tiered usage charge thresholds.

III.D.2. Proposed Water Rates

To address the recommended shifts between classes based on the cost-of-service results, updated rates were forecasted through 2027. For consistency between classes, the fixed charges increased at the same rate for all classes while the variable charges were set individually to phase-in class-specific revenues towards the cost-of-service targets. **Exhibit 3.9** shows the adopted 2022 rates as well as forecasted rates through the rest of the study period to increase cost equity between the customer classes.

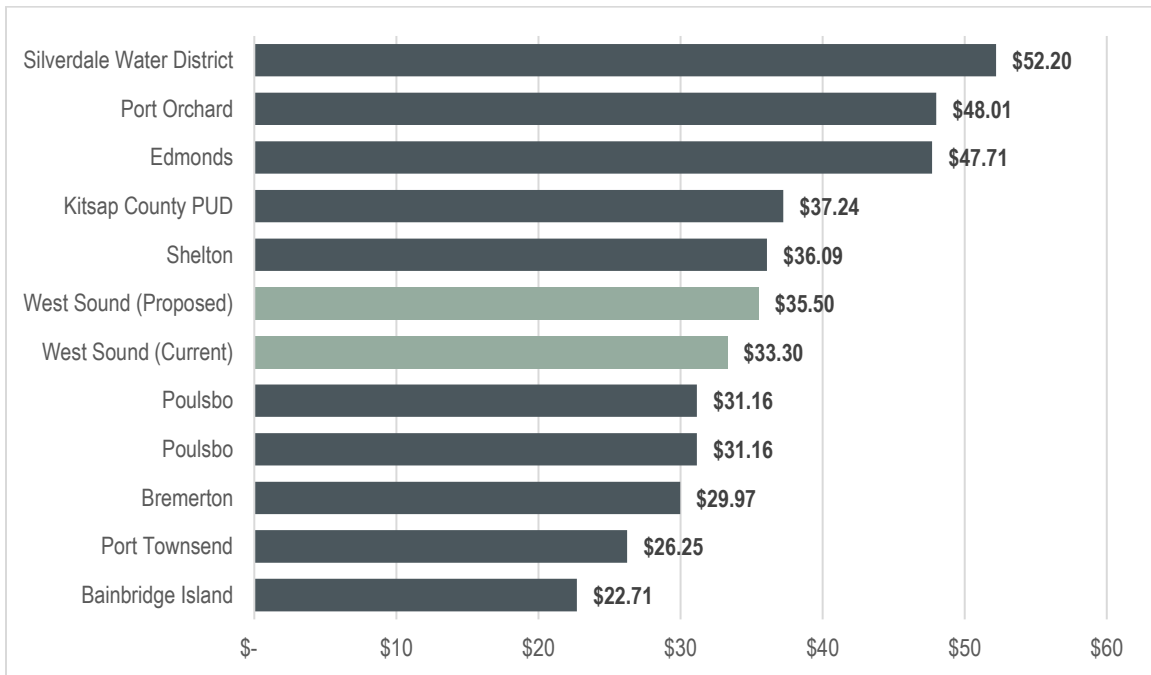
Exhibit 3.9 Proposed Water Rate Schedule

	Current 2022	COS 2023	COS 2024	COS 2025	COS 2026	COS 2027
System-Wide Rate Increase		6.8%	6.8%	6.8%	5.0%	5.0%
Base Rate						
5/8", 3/4"	\$19.26	\$20.61	\$22.05	\$23.59	\$25.24	\$27.01
1"	\$35.90	\$38.41	\$41.10	\$43.98	\$47.06	\$50.35
1.5"	\$64.11	\$68.60	\$73.40	\$78.54	\$84.04	\$89.92
2"	\$98.74	\$105.65	\$113.05	\$120.96	\$129.43	\$138.49
3"	\$194.88	\$208.52	\$223.12	\$238.74	\$255.45	\$273.33
4"	\$301.29	\$322.38	\$344.95	\$369.10	\$394.94	\$422.59
6"	\$588.49	\$629.68	\$673.76	\$720.92	\$771.38	\$825.38
Volume Charge: per ccf of water usage						
<i>Single-Family (BiMonthly)</i>						
Block 1	\$2.31	\$2.45	\$2.60	\$2.68	\$2.76	\$2.84
Block 2	\$2.67	\$2.83	\$3.00	\$3.09	\$3.18	\$3.28
Block 3	\$3.10	\$3.29	\$3.49	\$3.59	\$3.70	\$3.81
<i>Multi-Family (Monthly)</i>						
Block 1	\$3.26	\$3.26	\$3.26	\$3.26	\$3.26	\$3.26
Block 2	\$3.77	\$3.77	\$3.77	\$3.77	\$3.77	\$3.77
Block 3	\$4.36	\$4.36	\$4.36	\$4.36	\$4.36	\$4.36
<i>Commercial (Monthly)</i>						
Block 1	\$2.54	\$2.82	\$3.13	\$3.47	\$3.64	\$3.82
Block 2	\$2.95	\$3.27	\$3.63	\$4.03	\$4.23	\$4.44
Block 3	\$3.41	\$3.79	\$4.21	\$4.67	\$4.90	\$5.15
<i>Agricultural/Irrigation (Monthly)</i>						
Block 1	\$3.26	\$3.80	\$4.43	\$5.16	\$6.01	\$7.00
Block 2	\$3.77	\$4.39	\$5.11	\$5.95	\$6.93	\$8.07
Block 3	\$4.36	\$5.08	\$5.92	\$6.90	\$8.04	\$9.37

III.D.3. Rate Survey

Exhibit 3.10 compares the District’s monthly (although billed on a bi-monthly basis) rate with the 2022 rates of other jurisdictions. Note that each jurisdiction has a unique set of geographic traits, customers, and system characteristics, each of which can have a significant impact on rates. Bill calculations assume 6 ccf of monthly water usage.

Exhibit 3.10 Residential Monthly Water Rate Survey (6 ccf monthly, 3/4" Meters)



III.E. SUMMARY

The analysis described above concludes the rate study for the water utility. Annual rate increases of 6.8 percent are recommended from 2023 to 2025 followed by 5.0 percent in 2026 and 2027 to prepare the District to fund the planned capital projects and associated debt service for two revenue bonds.

We recommend that the District revisit the study findings during each budget cycle to check that the assumptions used are still appropriate and no significant changes have occurred that would alter the results of the study. The District should use the study findings as a living document, continuously comparing the study outcomes to actual revenues and expenses. Any significant or unexpected changes will require adjustments to the rate strategy proposed.

Section IV. SEWER UTILITY

IV.A. INTRODUCTION

The District owns a wastewater collection system that provides uninterrupted sanitary sewer conveyance and mitigates overflows into streams, lakes, and private properties. As a separate entity, the District jointly owns the South Kitsap Water Reclamation Facility (SKWRF), a wastewater treatment plant that provides to treatment for both the District and the City of Port Orchard.

IV.B. REVENUE REQUIREMENT

Similar to the water utility, a revenue requirement was completed for the sewer utility and forms the basis for the long-range financial plan and multi-year financial management strategy.

IV.B.1. Operating Forecast

The purpose of the operating forecast is to determine whether the existing rates and charges are sufficient to recover the costs the District incurs to operate and maintain the District collection system and share of treatment expenses at the SKWRF. The 2022 budget formed the baseline for this forecast and used to project revenue requirements through the 2023 to 2027 time period. The following list highlights some of the key assumptions used in the development of the sewer utility operating forecast.

IV.B.1.a Operating Revenue

- **Rate Revenue:** was based on an estimate of 2022 rate revenue, increased 5.2 percent to account for the approved rate adjustment in 2022.
- **Non-Rate Revenue:** consists of permit fees, service fees, penalties, SKWRD admin support, interest, and other miscellaneous fees.
- **Customer Growth:** is forecasted at 1.75 percent annually based on Port Orchard's population allocation in the Puget Sound Regional Council Vision for 2040.
- **Interest Earnings:** was projected at 1.0 percent per year for all years of the forecast period.

IV.B.1.b O&M Expenses

- **General Cost Inflation:** was set at 2.5 percent based on feedback from District staff and in alignment with internal forecasting practices.
- **Construction Cost Inflation (CCI):** was set at 4.0 percent annually based on feedback from the District.
- **Labor Cost Inflation:** was set at 2.5 percent consistent with general cost inflation based on feedback from the District.
- **Benefit Cost Inflation:** was set at 3.25 percent based on feedback from the District.
- **Electricity Inflation:** was assumed to be 0.35 percent based on staff input.

- **Additional O&M Expenses:** were included starting in 2023 for approximately \$81,000 to represent 0.5 FTE added for one on-site engineer.

IV.B.1.c Debt Service

- **Existing Debt Service:** ranges from a high of \$215,000 in 2022, dropping to \$195,000 in 2024 and then to \$115,000 in 2025 as the District pays off three loans. The District has one outstanding revenue bond and four unbonded loans:
 - » Revenue Bond: payments of \$40,000 annually that will be paid off in 2028.
 - » Unbonded Loans: payments ranging from \$175,000 in 2022 to \$75,000 as loans are paid off by the utility.
- **New Debt Service:** no new debt service is projected during the forecast period to fund the capital program.

IV.B.1.d Rate-funded Capital

- Rate-funded capital is a way to ensure system integrity through reinvestment in the system. The annual revenue target is equal to the estimated replacement cost depreciation of system assets. Due to the financial impact to rates by implementing this level of rate-funded capital, the target is phased in over the study period and the utility reaches the full replacement cost level of system reinvestment funding by 2026 (\$1.5 million).

IV.B.2. Capital Funding Plan

The sewer utility capital plan includes approximately \$10.2 million in escalated capital costs from 2022 to 2027. Notable projects include Replace Aging Mains (\$4.2 million), Olney Sewer Replacement (\$1.3 million), and Eliminate Beach Drive Lift Station (\$800,000).

Funding for the capital plan identified comes from two different sources:

- **Cash balances (including interest) and system reinvestment funding:** Cash balances and system reinvestment funding include the beginning capital fund balance, any cash flow from the operating fund above what is needed to meet the operating fund reserve target and available cash after meeting the minimum capital reserve target. Cash balances and system reinvestment funding are forecast to fund \$8.0 million of the capital plan through 2027, about 78.5 percent of total capital expenditures in the rate setting forecast period.
- **General Facilities Charge (GFC) revenue:** GFC revenues are forecast at the existing fee levels and are based on the District’s area specific permit forecast resulting in approximately 90 new connections annually. Connection fee revenue is anticipated to contribute \$2.2 million over the rate setting period and fund approximately 21.5 percent of the capital plan.

Exhibit 4.1 provides a summary of the funding sources for the capital program. A detailed capital plan can be found in financial models provided to the District.

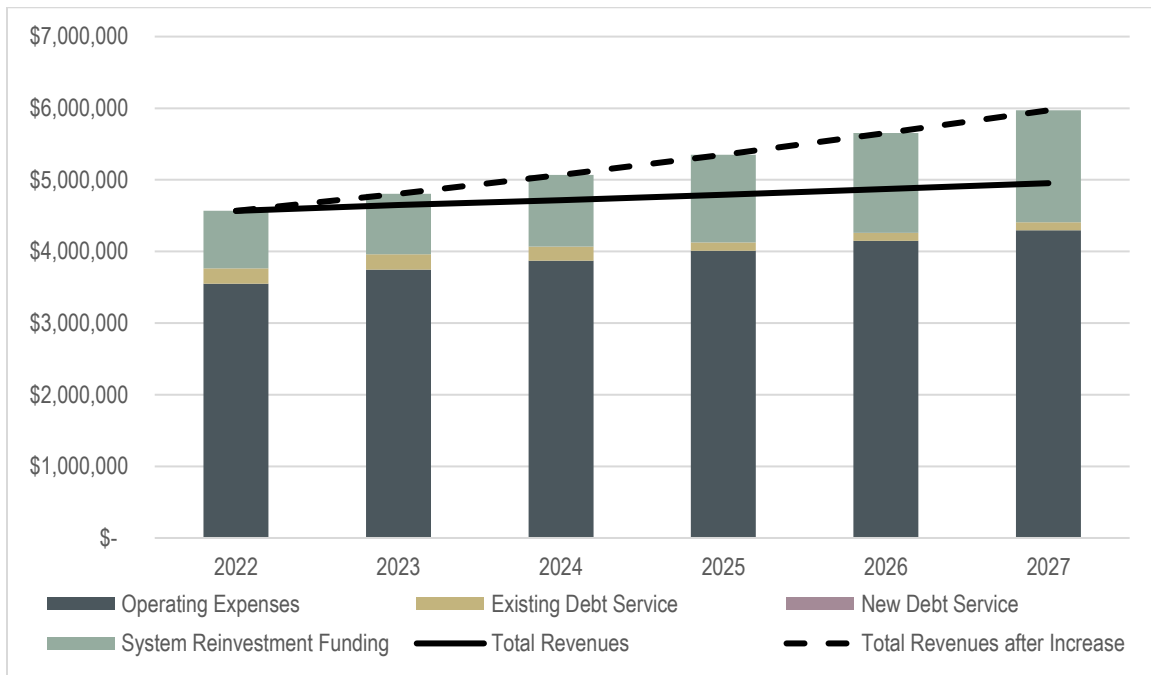
Exhibit 4.1 Sewer Capital Funding Summary

Funding Summary	2022	2023	2024	2025	2026	2027	Total
Total Capital Costs	\$ 2,868,125	\$ 2,234,177	\$ 1,240,455	\$ 1,140,879	\$ 1,441,168	\$ 1,233,975	\$ 10,158,780
Funding Sources							
Cash Balances and System Reinvestment Funding	\$ 2,487,325	\$ 1,880,677	\$ 883,420	\$ 780,274	\$ 1,076,957	\$ 866,121	\$ 7,974,774
General Facilities Charge Revenue	380,800	353,500	357,035	360,605	364,211	367,854	2,184,005
Total Capital Funding	\$ 2,868,125	\$ 2,234,177	\$ 1,240,455	\$ 1,140,879	\$ 1,441,168	\$ 1,233,975	\$ 10,158,780

IV.B.3. Summary of Revenue Requirement

The operating forecast components of O&M expenses, debt service and rate-funded capital come together to form the multi-year revenue requirement. The revenue requirement compares the overall sewer system revenue against forecasted expenses to evaluate the sufficiency of rates on an annual basis. **Exhibit 4.2** provides a summary of the sewer system revenue requirement findings.

Exhibit 4.2 Sewer Utility Revenue Requirement Summary



Summary of sewer revenue requirement:

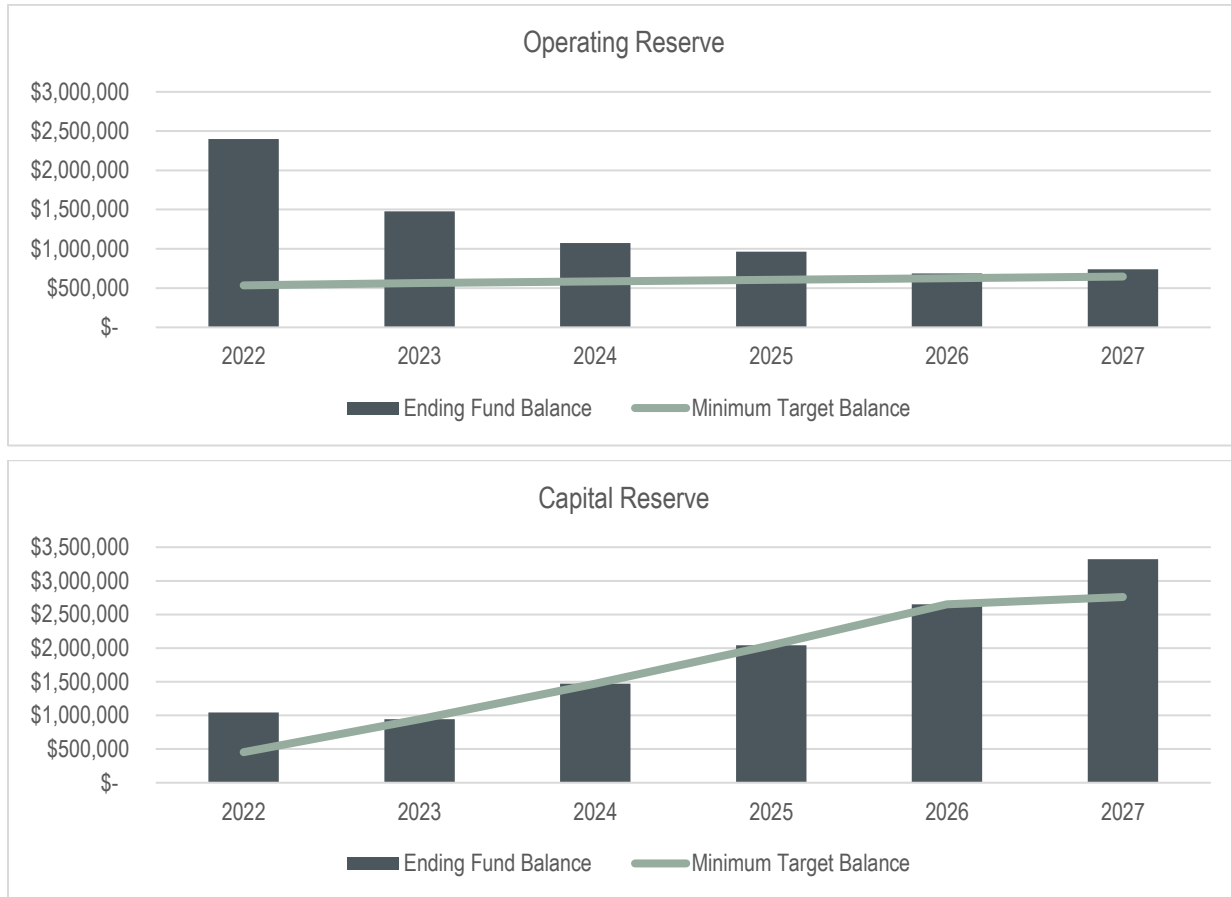
- In 2022, with the inclusion of the 5.2 percent approved rate increase, current rate levels are sufficient to meet existing annual financial obligations.
- During the 2023 – 2027 rate setting period, existing revenues are sufficient to cover O&M expenses and existing debt service. However, system reinvestment funding targets are not fully met with existing rate revenue.
- To meet the projected financial obligations of the sewer utility, the funding plan includes a 3.5 percent increase in 2023 followed by 4.0 percent annual increases each year thereafter.
- Debt service coverage on bonded debt remains above 34.7X in all years of the forecast while debt service coverage on all debt remains above 6.6X during the forecast.

IV.B.4. Reserves

Exhibit 4.3 shows a summary of the projected operating and capital reserves through 2027 based on the rate forecast presented above. The bars represent projected ending fund balances for each year and the horizontal lines represent the minimum targets for operating and capital reserves. The rate strategy described above is projected to maintain operating reserves at or above the minimum target level of 55 days of operating and maintenance expenses (\$0.6 million over the forecast period). This strategy is also projected to maintain capital reserves at or above the minimum

target level. The annual capital reserve target increases from 2023 to 2026 as the District phases into the target funding level of the replacement cost of the largest non-collection asset.

Exhibit 4.3 Operating and Capital Target Balances



IV.C. SEWER COST OF SERVICE ANALYSIS

Similar to the water utility, the cost-of-service allocation process for the sewer utility involves three steps - 1) allocate total utility assets and costs by function, 2) develop customer-specific allocation factors and 3) allocate costs to customer classes.

IV.C.1. Allocation of Utility Assets by Function

The District’s sewer utility assets in service were reviewed to identify how they relate to providing sewer service. This allocation assigns value and costs to functional categories based on documented system requirements and industry practice based on the relationship of each class of asset and their function in the system. Assets are allocated to the functions of service according to known or assumed cost “causation”. The functions of service to which the District’s assets were allocated are discussed below.

- **Customer costs:** associated with providing service to customers regardless of sewer contribution, such as billing and office support.
- **Equivalent Residential Unit (ERU):** related to actual and estimated sewer volume processed within the system in a year normalized to a unit based on typical residential flow.

- » Generally, sewer cost-of-service analyses includes a “strength” function which is used to allocate utility asset costs related to the strength of sewage processed, in terms of biochemical oxygen demand (BOD) and total suspended solids (TSS). In this particular case, the District incurs operating and capital costs at the treatment plant on an equivalent residential unit basis, so there is not a clear and identifiable cost basis for strength-related treatment costs. As a result, all treatment costs are functionalized as equivalent residential units.

Exhibit 4.4 Sewer Utility Functional Plant (Assets) in Service

Plant in Service	Total Replacement Costs	FUNCTIONS OF SEWER SERVICE		AS ALL OTHERS	TOTAL
		CUSTOMER	ERU		
Treatment	\$ -	0.00%	100.00%	0.00%	100.00%
Collection	27,941,238	0.00%	100.00%	0.00%	100.00%
Pumping	9,965,756	0.00%	100.00%	0.00%	100.00%
General Plant	5,827,262	0.00%	0.00%	100.00%	100.00%
Total Utility Plant	\$ 43,734,256	\$ -	\$ 37,906,994	\$ 5,827,262	\$ 43,734,256
Sewer Service Functions		0.00%	100.00%		100.00%
Allocation of "As All Others"		\$ -	\$ 5,827,262	\$ (5,827,262)	\$ -
TOTAL	\$ 43,734,256	\$ -	\$ 43,734,256	\$ -	\$ 43,734,256
Allocation Percentages		0.00%	100.00%	0.00%	100.00%

IV.C.2. Allocation of Utility Costs by Function

Following the functionalization of the utility’s assets, the revenue requirement for 2023 was then allocated to these same functions of service based on cost allocation factors derived from the plant-in-service, system planning data, and other known costs. The following summarizes the key cost allocation assumptions:

- **Administrative costs:** were allocated to as all other.
- **Postage/Printing/Bank Fees/Advertising:** were allocated 100 percent to customer.
- **Rentals/Insurance/Membership Dues:** were allocated all to ERU.
- **Operations Salaries and Benefits:** were allocated to plant in service which is 100 percent allocated to ERU.
- **Collection Materials:** were allocated all to collection which is 100 percent allocated to ERU.
- **Pump Materials:** were allocated all to pumping which is 100 percent allocated to ERU.
- **SKWRF Operations and CIP costs:** were allocated all to treatment which is 100 percent allocated to ERU as costs are based on the proportion of flow delivered to the treatment facility.
- **Added On-Site Engineer:** allocated based on plant in service.
- **Existing Debt Service:** allocated as plant-in-service.
- **System Reinvestment Funding:** allocated as plant-in-service.

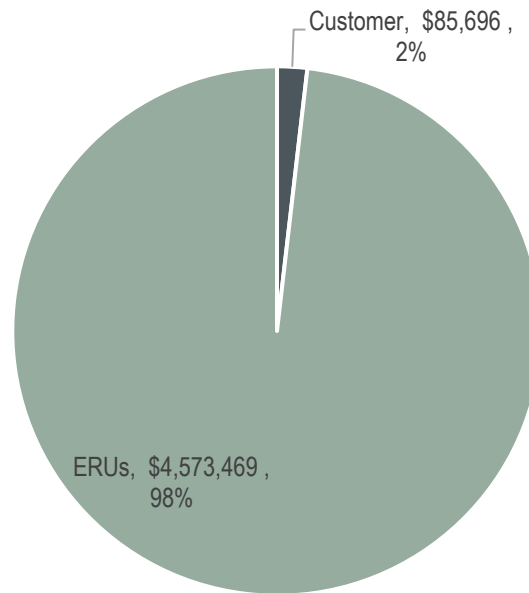
Utility cost allocation results in costs being allocated to the functional cost pools identified in **Exhibit 4.5**.

Exhibit 4.5 Sewer Utility Functional Cost Allocation (2023 Forecast)

Function	Total Revenue Requirement	%
Customer	\$ 85,696	1.8%
ERUs	4,573,469	98.2%
Total	\$ 4,659,166	100.0%

The cost allocation indicates that the majority of costs, 98 percent, relate to meeting flow requirements, while the other 2 percent are allocated to customer. The results of the allocation are summarized graphically in **Exhibit 4.6**.

Exhibit 4.6 Sewer Utility Functional Cost Allocation Summary (2023 Forecast)



IV.C.3. Customer Class Distinctions

The District’s current customer classes include a residential class, a multi-residential class, and a non-residential class.

IV.C.4. Allocation Factors

Once the customer classes were defined, functional cost pools (shown in **Exhibit 3.6**) were then allocated to these customer classes based on the demand each class places on the system. In order to complete this task, the analysis consisted of first developing allocation factors that identified customer characteristics including number of accounts and equivalent residential units. Allocation factors are intended to equitably allocate total functional cost pools to those benefitting from the service. For this study, the sewer utility revenue requirement was allocated based on the following:

- **Customer costs:** on the basis of the number of customer accounts.
- **ERUs:** on the basis of flow produced per customer class normalized to an equivalent residential unit.

Exhibit 3.7 summarizes the allocation factors used and allocations for the customer classes evaluated in the cost-of-service analysis.

Exhibit 4.7 Sewer Utility Customer Allocation Factors

Customer Class	Customer	ERUs	Total
Allocation Basis	Accounts	ERUs	
Residential	91.1%	57.2%	57.9%
Multi-Family Residential	3.9%	27.3%	26.9%
Non-Residential	5.0%	15.4%	15.2%
Total	100.0%	100.0%	100.0%

IV.C.5. Sewer Cost of Service Analysis Results

Exhibit 4.8 provides a comparison of current rate revenue distribution between customer classes and the distribution of revenues resulting from the cost-of-service analysis.

Exhibit 4.8 Comparison of Sewer Current Revenue Distribution to Cost of Service Distribution

Class	Existing 2023		COSA 2023		Difference	
	Revenue	%	Revenue	%	\$	%
Residential	\$ 2,533,178	56.3%	\$ 2,695,959	57.9%	\$ 162,782	6.4%
Multi-Family Residential	1,209,635	26.9%	1,253,426	26.9%	43,791	3.6%
Non-Residential	758,797	16.9%	709,781	15.2%	(49,016)	-6.5%
Total	\$ 4,501,609	100.0%	\$ 4,659,166	100.0%	\$ 157,556	3.5%

Because costs fluctuate each year, the needed increase by class can also fluctuate and interclass rate changes are not suggested unless the class’s revenue difference is outside the plus-or-minus 5.0 percent threshold. The COSA results indicate that revenues for the residential and multi-family residential classes are operating within this threshold while revenues generated from the non-residential class are slightly above the cost to provide service.

IV.D. RATE DESIGN

The principal objective of the rate design stage is to implement rate structures that collect the appropriate level of revenue as outlined by the revenue requirement. Establishing rates is a blend of “art” and “science” and especially so when it comes to the rate levels and structures. Several variables must be balanced to arrive at optimal rates. The main objective in this rate design was to address intraclass equity.

IV.D.1. Existing Sewer Rates

The existing sewer structure is composed of a monthly fixed charge (although Residential and duplexes are billed on bi-monthly basis) for all classes and a volume charge per 100 cubic feet for Non-Residential customers only. In addition to the three customer classes defined in the cost of service, there are also specific rates for the Veterans Memorial Park, South Kitsap Community Park, and the Village Greens golf course. Rate adjustments for these three individual customers are based on the proposed adjustments to the Non-Residential class.

Exhibit 4.9 provides a summary of the existing sewer utility rates.

Exhibit 4.9 Existing Monthly Sewer Rates

Current Rate Schedule	2022
Monthly Fixed Charge by Class (Bill Frequency)	
Residential (BiMonthly)	\$64.92
Multifamily (Monthly)	\$64.92
Non-Residential (Monthly)	\$49.81
Public Parks - Veterans Memorial Park (Monthly)	\$64.92
Public Parks - South Kitsap Community Park (Monthly)	\$133.43
Golf Course - Village Greens (Monthly)	\$133.43
Volume Charge: per ccf of water usage (Non-Residential Only)	\$8.23

IV.D.2. Proposed Sewer Rates

The financial plan indicates the need for 3.5 percent increase in 2023 followed by 4.00 percent annual rate increases through the rest of the forecast. To closer align the revenues brought in by each customer class with the indicated cost of service, each customer class increases are proposed to increase as:

- **Single-Family Residential:** 4.25% in 2023, 4.75% each year thereafter.
- **Multi-Family Residential:** 4.00% in 2023, 4.50% from 2024 to 2026, and 4.75% in 2027.
- **Non-Residential:** Hold rates in 2023 followed by 1.00% annual adjustments from 2024 to 2026. It is recommended that the District re-evaluate cost-of-service results before additional adjustments.

Exhibit 4.10 provides a schedule of existing and proposed fixed and volumetric rates for each year from 2022 through 2027.

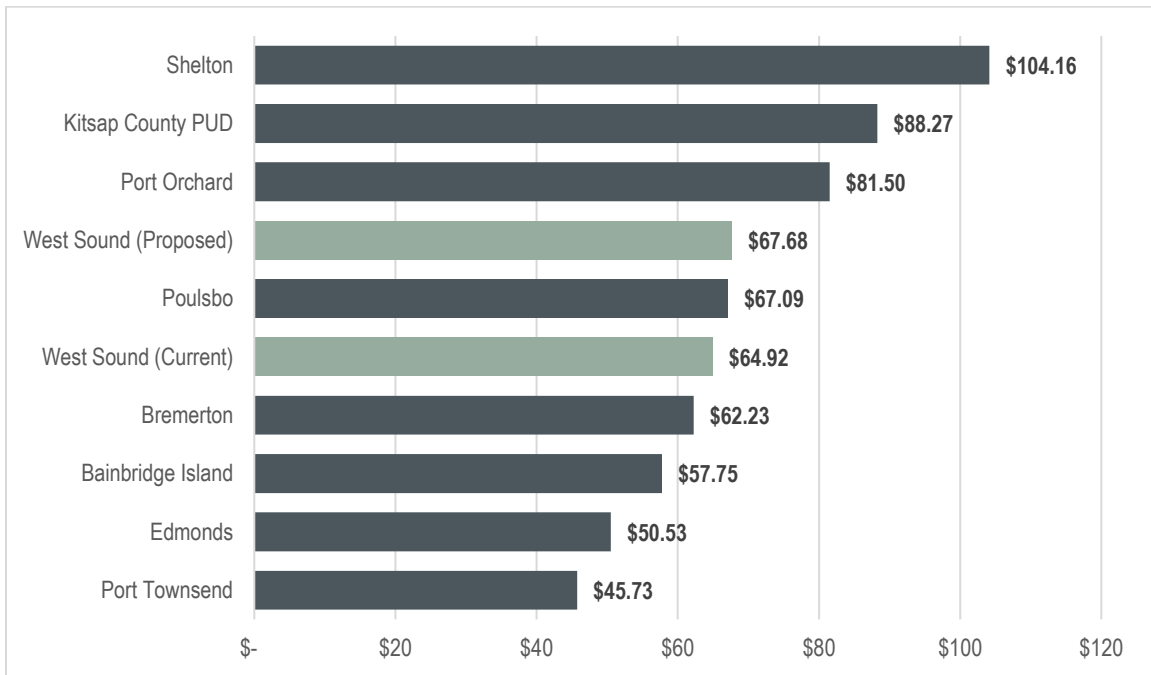
Exhibit 4.10 Proposed Sewer Rate Design Options

	Current 2022	COS 2023	COS 2024	COS 2025	COS 2026	COS 2027
Fixed Charge by Class						
Residential (BiMonthly)	\$64.92	\$67.68	\$70.89	\$74.26	\$77.79	\$81.49
Multifamily (Monthly)	\$64.92	\$67.52	\$70.56	\$73.74	\$77.06	\$80.72
Non-Residential (Monthly)	\$49.81	\$49.81	\$50.31	\$50.81	\$51.32	\$51.32
Public Parks - Veterans Memorial Park (Monthly)	\$64.92	\$64.92	\$65.57	\$66.23	\$66.89	\$66.89
Public Parks - South Kitsap Community Park (Monthly)	\$133.43	\$133.43	\$134.76	\$136.11	\$137.47	\$137.47
Golf Course - Village Greens (Monthly)	\$133.43	\$133.43	\$134.76	\$136.11	\$137.47	\$137.47
Volume Charge: per ccf of water usage (Non-Residential Only)	\$8.23	\$8.23	\$8.31	\$8.39	\$8.47	\$8.47

IV.D.3. Rate Survey

Exhibit 4.11 compares the District’s monthly rate with the 2022 rates of other jurisdictions. Note that each jurisdiction has a unique set of geographic traits, customers, and system characteristics, each of which can have a significant impact on rates. Bill calculations assume 5 ccf of monthly sewer flow contribution for those jurisdictions that apply a volume rate to their Residential customers.

Exhibit 4.11 Residential Monthly Sewer Rate Survey (5 ccf of Usage)



IV.E. SUMMARY

The analysis described above concludes the rate study for the sewer utility. The financial plan includes an annual rate adjustment of 3.5 percent increase in 2023 followed by 4.0 percent annual rate increases through the rest of the forecast to ensure the District can continue to fully fund its operations and fund anticipated capital projects over the rate setting period.

We recommend that the District revisit the rate study with each budget cycle to review if revenue and expense projections are reasonable when compared to actual experience. Any significant or unexpected changes will require adjustments to the rate strategy proposed.

EXHIBIT "C"

West Sound Utility District Water Rates and Charges 2023 Proposed				
Meter Size	Flat/Base Rate	Street Lights	Fire Flow	Charge
5/8, 3/4"	\$21.10	\$0.00	\$0.00	Plus Commodity
1"	\$39.33	\$0.00	\$0.00	Plus Commodity
1-1/2"	\$70.23	\$0.00	\$0.00	Plus Commodity
2"	\$108.17	\$0.00	\$0.00	Plus Commodity
3"	\$213.49	\$0.00	\$0.00	Plus Commodity
4"	\$330.06	\$0.00	\$0.00	Plus Commodity
6"	\$644.69	\$0.00	\$0.00	Plus Commodity
Description	Rate	Notes:		
Ready to Serve	\$10.17	Monthly. Applies only to properties that have been issued a Binding Letter of water availability or have paid GFC's and have not taken on water service.		
Unit Charge	\$21.10	Monthly for each Residential Dwelling Unit, Guest House or accessory building with a kitchen, served shall be assessed monthly for the multi-family class.		
Bulk Water Fill	\$20.00	Account establishment is required for monthly invoicing for bulk water obtained. Intermittent (Intermittent is defined as less than five bulk fills per year) bulk fills do not require an account. All transporting trucks are required to have an approved air-gap, which shall be inspected and approved by the District.		

Description	Rate	Notes:	
Full Service Meter Connection" 5/8' X 3/4"	Pre-Installed Rate Plus Time and Materials	Full Service Meter: For Meters and related appurtenances installed by the District. Charges shall be levied and collected at the completion of service. The District will supply an estimate of cost for individual service installations based on construction requirements, traffic control, permitting and the Authority Having Jurisdiction road restoration requirements. A deposit in the amount of 50% based on estimated cost will be required prior to service installation.	
Full Service Meter Connection 1"	Pre-Installed Rate Plus Time and Materials		
Full Service Meter Connection >1"	Pre-Installed Rate Plus Time and Materials		
Pre-Installed Meter 5/8' x 3/4"	\$496	Pre-Installed Service (Meter Only): Fees for the installation of a meter only apply when the service connection and all associated valves, fittings, meter setters, and necessary appurtenances have already been installed in accordance with the District's standards and specifications at the property owners expense.	
Pre-Installed Meter 1"	\$720		
Pre-Installed Meter 1-1/2"	\$1,480		
Pre-Installed Meter 2"	\$1,841		
Pre-Installed Meter 3"	\$2,998		
Pre-Installed Meter 4"	\$4,214		
Pre-Installed Meter 6"	\$7,715		

Commodity Charge (COM) per 100 hundred cubic feet/(ccf). ccf = 748 gallons.				
Single Family Residential - Billed Bimonthly				
Meter Size	Block 1	Block 2	Block 3	Rate Code
	Rate - \$/ccf	Rate - \$/ccf	Rate - \$/ccf	
	\$2.51	\$2.90	\$3.37	
5/8, 3/4"	0-11	>11-21	>21	109, 110
1"	0-11	>11-21	>21	111
Multi-Family Residential - Billed Monthly				
Meter Size	Block 1	Block 2	Block 3	Rate Code
	Rate - \$/ccf	Rate - \$/ccf	Rate - \$/ccf	
	\$3.34	\$3.87	\$4.47	
5/8, 3/4"	0 - 77	>77 - 146	>146	130
1"	0 -102	>102 - 194	>194	131
1-1/2"	0 - 167	>167 - 316	>316	
2"	0 - 244	>244 - 463	>463	
3"	0 - 424	>424 - 803	>803	
4"	0 - 680	>680 - 1,289	>1,289	
6"	0 - 1,360	>1,360 - 2,578	>2,578	
Commercial - Billed Monthly				
Meter Size	Block 1	Block 2	Block 3	Rate Code
	Rate - \$/ccf	Rate - \$/ccf	Rate - \$/ccf	
	\$2.88	\$3.35	\$3.87	
5/8, 3/4"	0 - 12	>12 - 24	>24	100
1"	0 -16	>16 - 32	>32	101
1-1/2"	0 - 26	>26 - 52	>52	102
2"	0 - 38	>38 - 75	>75	103
3"	0 - 65	>65 - 131	>131	104
4"	0 - 106	>106 - 211	>211	115, 116
6"	0 - 212	>212 - 424	>424	106
Agricultural/Irrigation - Billed Monthly				
Meter Size	Block 1	Block 2	Block 3	Rate Code
	Rate - \$/ccf	Rate - \$/ccf	Rate - \$/ccf	
	\$3.88	\$4.49	\$5.19	
5/8, 3/4"	0 - 66	>66 - 246	>246	100
1"	0 -88	>88 - 327	>327	101
1-1/2"	0 - 143	>143 - 369	>369	102
2"	0 - 209	>209 - 780	>780	103
3"	0 - 363	>363 - 1,353	>1,353	104
4"	0 - 583	>583 - 2,172	>2,172	115, 116
6"	0 - 1,166	>1,166 - 4,344	>4,344	106

West Sound Utility District Sewer Rates and Charges 2023

Classification	Rate	Billing Cycle	Notes:
Residential	\$67.68	Bi-Monthly	Per ERU
Multifamily up to Tri-Plex	\$67.52	Bi-Monthly	Per ERU
Non-Residential	\$49.81	Monthly	Base Rate
	\$8.23		For each additional 100 cubic foot of water consumed.
Public Parks - Veterans Memorial Park	\$64.92	Monthly	One Public Restroom.
Public Parks - South Kitsap Community Park	\$133.43	Monthly	Two public restrooms and one office space.
Golf Course - Village Greens	\$133.43	Monthly	Two public restrooms and one office space.
Ready to Serve	\$10.17	Monthly	Applies only to properties that have paid GFC's and do not have a physical connection to the sewer.

**WEST SOUND UTILITY DISTRICT
RESOLUTION 1040-22**

**A RESOLUTION OF THE
WEST SOUND UTILITY DISTRICT BOARD OF COMMISSIONERS
AMENDING WATER AND SEWER
GENERAL FACILITY CHARGES**

WHEREAS, RCW 57.08 authorizes water and sewer districts to establish water and sewer rates; and

WHEREAS, the District Board of Commissioners adopted Resolution 980-21 on December 6, 2021, which modified water/sewer rates, policies and procedures; and

WHEREAS, the water and sewer general facility charges are generally adjusted each year based on the Engineering News Record Construction Cost Index, Seattle (ENR-CCI); and

WHEREAS, the June 2021 to June 2022 ENR-CCI index showed an annual increase of 8.25%; and

WHEREAS, the District has determined that there is a need to further increase the rate to 15% for water and sewer general facility charges to accommodate for the instability in materials and labor cost due to inflation and other market factors such as labor shortages, supply chain issues, materials shortages, etc.; **NOW, THEREFORE**,

THE BOARD OF COMMISSIONERS OF WEST SOUND UTILITY DISTRICT HEREBY RESOLVES:

Section 1. The Board of Commissioners hereby amends the water and sewer general facility charges as set forth in the attached Exhibit "A". This resolution shall take effect and be in full force on January 1, 2023.

APPROVED and ADOPTED by the Board of Commissioners of West Sound Utility District at a Board meeting scheduled on December 7, 2022.

WEST SOUND UTILITY DISTRICT
Kitsap County, Washington

Jerry Lundberg
Chairperson

Susan Way
Vice Chairperson

James J. Hart
Secretary

2023 WSUD Schedule Of General Facility Charges

WATER

**Table 1
Supply Treatment Storage and Transmission**

Water Meter Size	Weighting Factor/ ERU [1]	Water General Facility Charge
5/8 X 3/4-inch	1.00	\$5,228
1-inch	2.00	\$10,456
1-1/2-inch	4.00	\$20,912
2-inch	6.67	\$34,869
3-inch [2]	10.50	\$54,892
4-inch	16.67	\$87,147
6-inch	33.33	\$174,242

[1] For equivalent residential units (ERUs), through 3-inch meter. Larger meter sizes based on a 3/4-inch meter equivalency for AWWA Cold Water Displacement Meters. For larger meter sizes, the charge will be multiplied by the weighting factors provided in Table 1.

[2] The District, at its discretion, can determine the GFC based on projected water usage (demand) for any meter size larger than a 2-inch meter, and equate that usage to an equivalent residential unit.

**Table 2
Irrigation Water GFC's For General Irrigation**

Water Meter Size	Weighting Factor/ ERU	Water General Facility Charge
5/8 X 3/4-inch	2.00	\$10,456
1-inch	3.33	\$17,409
1-1/2-inch	6.66	\$34,869
2-inch	13.32	\$54,892

**Table 3
Irrigation Water GFC's For Drought Tolerant Irrigation**

Water Meter Size	Weighting Factor/ ERU	Water General Facility Charge
5/8 X 3/4-inch	1.00	\$5,228
1-inch	1.67	\$8,731
1-1/2-inch	3.33	\$17,409

SEWER

**Sewer General Facility Charge and Treatment Capital Charge
Per Equivalent Residential Unit**

Rate Component		Total
General Facility Charge	Treatment Capital Charge	\$10,437
\$5,322	\$5,115	

**WEST SOUND UTILITY DISTRICT
RESOLUTION 1041-22**

**A RESOLUTION OF THE WEST SOUND UTILITY DISTRICT BOARD OF
COMMISSIONERS ADOPTING THE SOUTH KITSAP WATER
RECLAMATION FACILITY’S 2022 BUDGET**

WHEREAS, preliminary budgets for the South Kitsap Water Reclamation Facility (SKWRF) for fiscal years 2023 have been prepared and submitted by the WSUD General Manager to the WSUD Board of Commissioners and the Sewer Advisory Committee on October 5, 2022; and

WHEREAS, the Sewer Advisory Committee (SAC) comprised of three appointed City Council Members of which two (2) were in attendance and the WSUD Board of Commissioners of which two (2) were in attendance have deliberated and voted to adopt the SKWRF 2023 Budget in a public meeting conducted on November 8, 2022. Whereby the SAC committee voted to approve as written with five (4) yeas, zero (0) nays; and **NOW, THEREFORE**,

THE BOARD OF COMMISSIONERS OF WEST SOUND UTILITY DISTRICT HEREBY RESOLVES:

Section 1. Adoption By Reference.

The South Kitsap Water Reclamation Facility 2023 Budget covering the period from January 1, 2023, through December 31, 2023 sets forth totals of projected beginning fund balances, revenues and expenditures by funds and are as follows:

Fund	2023 Projected Beginning Balance	2022 Revenue/ Contributed	2023 Expenditures / Transfers	2023 Projected Ending Balance
SKWRF Operating Fund	\$2,279,880	\$3,305,810	\$3,301,073	\$2,284,619
SKWRF Capital Fund	\$2,211,500	\$1,375,444	\$1,515,287	\$2,071,657

APPROVED and ADOPTED by the Board of Commissioners of West Sound Utility District at a regular scheduled meeting on December 7, 2022.

WEST SOUND UTILITY DISTRICT
Kitsap County, Washington

Jerry Lundberg
Chairperson

Susan Way
Vice Chairperson

James J. Hart
Secretary

**WEST SOUND UTILITY DISTRICT
RESOLUTION 1042-22**

**A RESOLUTION OF THE WEST SOUND UTILITY DISTRICT BOARD OF
COMMISSIONERS ADOPTING THE
WEST SOUND UTILITY DISTRICT 2023 BUDGET**

WHEREAS, a special public meeting presenting the Board of Commissioners with the proposed 2023 Capital Improvement Projects occurred on September 23, 2022; and

WHEREAS, the budget for West Sound Utility District fiscal year 2023 has been prepared and submitted by the WSUD General Manager to the WSUD Board of Commissioners at a public meeting on October 17, 2022 and a special public meeting on October 24, 2022; **NOW, THEREFORE**,

**THE BOARD OF COMMISSIONERS OF WEST SOUND UTILITY DISTRICT
HEREBY RESOLVES:**

Section 1. Adoption By Reference.

The West Sound Utility District 2023 Budget covering the period from January 1, 2023 through December 31, 2023, sets forth totals of projected beginning fund balances, revenues and expenditures by funds as follows:

Fund	2023 Projected Beginning Balance	2023 Revenue/ Contributed/ Transfers In	2023 Expenditures / Transfers Out	2023 Projected Ending Balance
Water Operating	\$ 3,000,000	\$ 4,273,868	\$ 4,248,330	\$ 3,025,538
Water Capital	\$ 2,516,520	\$ 2,108,500	\$ 3,794,745	\$ 830,275
Wastewater Operating	\$ 2,675,000	\$ 5,232,874	\$ 5,142,183	\$ 2,765,691
Wastewater Capital	\$ 3,756,800	\$ 1,430,500	\$ 3,976,695	\$ 1,210,605
Water/Wastewater Bond Fund	\$ 20,000	\$ 186,300	\$ 205,360	\$ 940
Debt Reserve/Guaranty Fund	\$ 209,000	\$ 2,500	\$ -	\$ 211,500
Facility Const. Fee Reserve Fund	\$ 2,200,000	\$ 325,000	\$ 200,000	\$ 2,325,000
Rate Satbilization Fund	\$ 533,000	\$ 136,000	\$ -	\$ 669,000

APPROVED and ADOPTED by the Board of Commissioners of West Sound Utility District at a regular scheduled meeting on December 7, 2022.

WEST SOUND UTILITY DISTRICT
Kitsap County, Washington

Jerry Lundberg
Chairperson

Susan Way
Vice Chairperson

James J. Hart
Secretary

**WEST SOUND UTILITY DISTRICT
RESOLUTION 1043-22**

**A RESOLUTION OF
THE BOARD OF COMMISSIONERS
OF WEST SOUND UTILITY DISTRICT
APPROVING THE DEVELOPERS EXTENSION CONTRACT
FOR WATER UTILITIES
WITHIN THE BRIDGEVIEW TRAILS APARTMENTS.**

WHEREAS, Mr. Jeff Habersetzer, Manager for HCDI Bridge View LLC., Inc. has submitted an application, plans and documents for the extension of water services for the Bridgeview Trails Apartments located on Harold Drive SE consisting of eight (8) buildings consisting of one (1) office and one-hundred thirty-eight (138) units; and

WHEREAS, it shall be the responsibility of the developer to construct the water and private sewer system within their Development Site in accordance with the standards of West Sound Utility District and as approved by the District; **NOW, THEREFORE**,

THE BOARD OF COMMISSIONERS OF WEST SOUND UTILITY DISTRICT HEREBY RESOLVES:

Section 1. West Sound Utility District hereby approves the execution of a Developer Extension Contract (Exhibit “A”) with Mr. Jeff Habersetzer, Manager for HCDI Bridge View LLC., for the extension of water within the Bridgeview Trails Apartments located on Harold Drive SE located in Port Orchard Washington. The Board further authorizes the General Manager, on behalf of the District, to execute the Developers Extension Contract with HCDI Bridge View LLC.

APPROVED and ADOPTED by the Board of Commissioners of West Sound Utility District at a Regular Board meeting scheduled on November 21, 2022.

WEST SOUND UTILITY DISTRICT
Kitsap County, Washington

Jerry Lundberg
Chairperson

Susan Way
Vice Chairperson

James J. Hart
Secretary

DEVELOPER EXTENSION CONTRACT

THIS CONTRACT is entered into between **WEST SOUND UTILITY DISTRICT**, a municipal corporation of the State of Washington, hereinafter referred to as "District," and HCDI Bridge View LLC, hereinafter referred to as "Developer" (Insert full legal name of Developer on the preceding line).

The principal owner(s) of the Developer Company and their titles are as follows:

Jeff Habersetzer, Manager, Kyla Sawtell, Manager, Sterling Griffin, Manager.

The Developer represents that it is a legal entity in good standing with the State of Washington, with all license and other fees currently paid. This contract shall be referred to as the "Developer Extension Contract" or "DEC".

IN CONSIDERATION of the foregoing recitals and mutual promises contained herein, the parties agree as follows:

I. GENERAL AGREEMENT

The Developer seeks to construct a water and/or wastewater system (hereinafter referred to as "Developer Improvement"), and thereafter connect the Developer Improvement into the utility system owned and operated by the District (hereinafter called "District System"). As a condition to the District permitting connection of the Developer Improvement into the District System, the Developer agrees to timely:

1. Be responsible for all costs and fees of planning and construction of the Developer Improvement.
2. Design the Developer Improvement to the standards and specifications of the District as set forth in this Contract.
3. Comply with all other conditions and obligations imposed upon it by this Contract.

Upon compliance with all conditions and obligations imposed herein on the Developer, the District agrees to accept the Developer Improvement, and ownership and all future maintenance thereof.

The common name of the Developer's project is Bridgeview Trails Apartments and is generally located and described as follows: 2864 Harold Dr. SE, Port Orchard, WA.

II. LOCATION OF DEVELOPER IMPROVEMENT

The Developer shall complete the attached "EXHIBIT A", by inserting thereon the full and complete legal description of the real property owned by the Developer where the Developer Improvement will be located (hereinafter called "Developer Property"). If all or any portion of the Developer Improvement will be located outside the Developer Property, the rights-of-way(s) and/or

easement(s) required to connect the Developer Improvement to the District System shall also be fully and completely legally described and identified on EXHIBIT A. EXHIBIT A, by this reference is incorporated herein and made a part hereof. The Developer warrants and represents the information contained on EXHIBIT A is complete and correct.

III. DEVELOPER PROPERTY OUTSIDE THE DISTRICT

In the event the Developer Property is located wholly or partially outside the District's legal boundaries, any obligations placed on the District in this Contract are conditioned on the following requirements having first been met by the Developer:

1. The Developer Property shall be annexed into the District, subject to approval by the Kitsap County Boundary Review Board, in the manner required by law. The annexation shall include a service area acceptable to the District. At the sole discretion of the District, the District may not require annexation; however, in that event, the Developer must agree to pay all surcharges for out-of-District service.
2. Water and/or wastewater service received from the District is conditioned on compliance with all pertinent Growth Management Act requirements by the Developer.
3. The Developer shall be responsible for meeting all requirements for annexation of the Developer Property as required by law and all costs and fees associated therewith.
4. The Developer shall pay all legal, engineering, and District staff costs and fees incurred in assisting the Developer with the annexation. The Developer shall also pay the filing fee required by the Kitsap County Boundary Review Board for such annexation and all other annexation fees and costs of every kind and nature.

IV. COMPREHENSIVE DEVELOPMENT

As a condition precedent to the District's obligations under this Contract, the Developer shall construct the proposed Developer Improvement in conformance with the District's specifications, together with any amendments made thereto by the District to conform with the District's long-range plan, including any over-sizing of mains and pump stations necessitated by the comprehensive plan or as determined by the District in its sole discretion.

It is the policy of the District that the Developer extend any water main improvements to the most distant end of abutting and interior rights-of-way or easements, unless it is determined by the District, according to its policies and/or rules, that extension of the water main will not be necessary. Developers owning corner property shall extend the water main to the far ends of both corners of the property unless it is determined by the District, in its sole discretion, extension of the system is not necessary.

It is the policy of the District that the Developer extend any wastewater main improvements to the most distant end of abutting and interior rights-of-way or easements unless it is determined by the District, according to its rules and policies, that extension of the wastewater main will not be necessary. Developers owning corner property shall extend the wastewater system to the far ends of both corners of the property unless it is determined by the District, in its sole discretion, extension of the system is not necessary. The wastewater system shall be extended to the far end of the

development at depths, whenever possible, which enable the District to provide gravity service to upstream properties.

V. REIMBURSEMENT AGREEMENT (LATECOMER FEES)

The Developer may request a reimbursement agreement if the Developer Improvement abuts real property of persons other than the Developer's and the Developer does not include the signatures of the other property owners in this application or the District requires construction of oversized mains to serve other areas. However, if the amount that could be charged according to the scenarios set forth above is less than \$150 per lot to be developed of the abutting properties, a latecomer's agreement may not be granted by the District. The terms of any latecomer agreements entered into is contained in "**EXHIBIT G**", entitled "REIMBURSEMENT AGREEMENT", which by this reference is incorporated herein and made a part hereof.

VI. FEES

The Developer shall pay the following fees as part of this Contract, and as shown on the fee estimate:

- Administrative fee for the DEC
- Plan review fees for water and wastewater
- Construction observation fees for water and wastewater
- Meter installation fee
- Reimbursement fees, if applicable
- General Facility Charge for water
- General Facility Charge for fire flow and irrigation, if applicable
- Local Facility Charge for water, if applicable
- General Facility Charge for wastewater
- Facility Construction Fee for wastewater treatment
- Local Facility Charge for wastewater, if applicable

VII. DEVELOPER EXTENSION FEES

The administrative fee, plan review fees and construction observation fees shall be paid prior to approval of this Developer Extension Contract by the District. These fees represent estimates of the anticipated work required by the District for review and inspection of the Developer's project. If the District's work exceeds the above estimates, the Developer shall pay the additional plan review fee and/or construction observation fee when requested by the District.

VIII. REINBURSEMENT FEE

Any water reimbursement fees to be collected from a benefiting third party property must be paid in full at the time application is made for a binding water availability letter. Any wastewater reimbursement fees to be collected from a benefiting third party property must be paid in full at the time application is made for a sewer permit.

IX. GENERAL FACILITIES CHARGES (WASTEWATER, WATER, IRRIGATION)

The General Facility Charges are established by District resolution as amended from time to time.

Wastewater: The General Facility Charge (Wastewater) for residential, commercial, multi-family and other connections to the District system shall be paid in full at the time application is made for a sewer connection permit.

Water: The General Facility Charges (Water) for residential, commercial, multi-family, and other connections to the District System shall be paid in full at the time application is made for a binding water availability letter.

Irrigation: The General Facility Charges for irrigation for connections other than residential (i.e. multi-family, commercial, and institutional) to the District System shall be paid in full at the time application is made for a binding water availability letter. The General Facility Charges for irrigation is dependent upon on the size of the water meter and if the landscaping is drought-tolerant, in accordance with Kitsap County standards.

X. FACILITY CONSTRUCTION FEE FOR WASTEWATER TREATMENT

The Facility Construction Fee shall be paid in full at the time application is made for a sewer connection permit. For properties outside the boundaries of the Wastewater Treatment Plant ULID #1 or properties inside ULID #1 that have not previously paid the assessment, or any other properties that have not paid the wastewater treatment connection charge, a Facility Construction Fee shall be determined in accordance with District resolution.

XI. LOCAL FACILITY CHARGE

A Local Facility Charge is separate and payable in addition to the General Facility Charge. The Local Facility Charge would be utilized in an area where the District has invested District funds for the benefit of local properties. The collection of a Local Facility Charge reimburses the District for its investment by properties that derive the benefit. The Local Facility Charge for hookup to the District System shall be paid in full prior to the Developer Improvement being accepted by the District. The amount of a Local Facility Charge is established by District resolution as amended from time to time.

XII. SYSTEM DESIGN & OBSERVATION

1. Plan Review. Review of water and/or wastewater plans prepared by the Developer's engineer will be performed by the District. Plans prepared by the Developer's engineer shall conform to the District's graphic standards in effect at the time the plans are developed.

2. Observation of Construction / DRAWINGS / JOB SITE SAFETY

A. District & Developer Inspections. Observation of construction and testing of the Developer Improvement, review of materials, and verification of record drawing information will be made by District personnel. Observation of the Developer's construction shall be for the sole benefit of the District and shall not be a substitute for the Developer's own inspection process.

B. Developer's Obligation Regarding Drawings. The Developer shall be responsible for maintaining a red line set of drawings with all construction changes at the job site and available for review by the District at all reasonable times. The Developer shall provide the locations of the constructed facilities and all other information to be incorporated into the record drawings. After

completion of the project, the Developer shall provide the District record drawings and the District-specified electronic file that incorporate all field changes and any other record drawing information required by the District.

C. Job Site Safety. The Developer and its Contractor shall be solely responsible at all times for job site safety. The District assumes no responsibility for job site safety resulting from its observation of construction. The Developer and its Contractor are responsible for providing a safe work site for the District to observe construction at all times.

D. Residential Side Sewers. In no event shall the house side sewer service connection (from the sewer to the property line) ever be less than 6 inches, and the house side sewer lateral (from the property line to the house) ever be less than 4 inches.

E. Commercial Side Sewers and Clean Outs. Commercial development side sewers, grease interceptors, oil/water interceptors, clean outs and other pre-treatment systems shall be designed by a registered professional engineer and submitted to the District for review and acceptance prior to the time the Developer Improvements are made. Side sewers and clean outs may be designed for future structures, but shall not be installed until additional plans have been reviewed and accepted by the District and all applicable permits purchased and issued. The design calculations for commercial buildings shall be stamped by a professional engineer licensed in the State of Washington and submitted to the District for review and acceptance. In no case shall a commercial side sewer service connection or lateral be less than 6 inches.

F. Sewage Lift Stations. The design for any required sewage lift stations shall be completed by the Developer through a licensed engineer in the State of Washington in strict accordance with the requirements and details shown in the District's Developer's Extension Manual and provided to the District upon request.

XIII. CONTRACTORS, SUBCONTRACTORS, LABORERS, AND MATERIALMEN

1. List of Contractors, Sub-Contractors, Materialmen, & Suppliers. The District has a substantial interest in insuring the Developer Improvement is constructed and connected to the District System in a good, competent, and professional manner. Therefore, the Developer and/or additional owners agree to submit the names of all contractors, subcontractors, laborers, materialmen and suppliers or, in the event the Developer or additional owners are contractors, a statement that said Developer or additional owner(s) will perform said improvement. The District reserves the right to approve or disapprove of any contractor, subcontractor, materialmen, or supplier. The District will not unreasonably withhold approval

2. Review Process Utilized by District. In determining whether the Developer, additional owner, contractor, subcontractor, materialman or laborer is or is not satisfactory, the District may take into consideration said parties' prior experience in similar type improvement work, available manpower and equipment, financial ability, and prior work performed by such parties for or on behalf of the District or others. Such names and other information requested by the District shall be submitted to the District by the Developer prior to any construction being performed with respect to said real property described in this Contract.

3. Rejection by District of a Contractor, Sub-Contractor, or Supplier. If a party designated to perform services or supply materials regarding the Developer Improvement is not acceptable to the

District, the District will so notify the Developer, along with the reasons why, within fifteen (15) days after notification is provided the District of the name of such party. Upon such event, the Developer shall submit alternates, and said alternates shall likewise be subject to the same approval upon the same criteria as the original party submitted and notification will be given by the District within the same time period specified. All contractors and subcontractors performing work pursuant to this Contract shall be registered as a contractor pursuant to the provisions of RCW 18.27.

4. Skill Level of Contractor. The Contractor shall be skilled in the type of work required for the project and shall have performed similar type work in a professional manner in the past. The Contractor shall supervise and direct the Work using its best skill and attention. The Contractor shall employ a competent superintendent to represent the Contractor at the site at all times work is being performed.

5. Construction Methods. The Contractor and Developer shall be solely and completely responsible for and have control over construction means, methods, techniques, procedures, safety, and for coordinating all portions of the Work in a timely and professional manner.

6. Work Place Discipline. The Contractor shall enforce strict discipline and good order among persons performing the Work. The Contractor shall not permit employment of unfit persons or persons not skilled in tasks assigned to them. The Contractor shall be responsible for the acts and omissions of the Contractor's employees, subcontractors, and their agents and representatives.

7. Notices Required by Public Authorities & Compliance with Laws. The Contractor shall give all notices and comply with all laws, ordinances, rules, regulations, and lawful orders of public authorities bearing on furnishing and performing the Work.

XIV. PERFORMANCE BOND

1. Performance Bond Requirement. The District reserves the right to require the Developer to furnish the District a performance bond between the Developer (or the Developer's Contractor) and the District upon the form included in this Contract and in an amount equal to the Engineer's estimated cost of the project, or actual cost if known, prior to the contractor's pre-construction conference with the District. Typically, the bond will be required if other properties or District obligations are or may be affected by the Developer's timely performance.

2. Alternative to Performance Bond. The District may accept, in lieu of a performance bond, an assignment of savings on the form enclosed in the documents.

3. Performance Bond Requirements. The performance bond shall require completion of all work within a period of two (2) years from date of the application's acceptance by the District in accordance with the plans and specifications prepared or approved by the District. Said bond shall also require the Developer to pay all persons furnishing labor and material and hold the District harmless from any claims thereon, whether any such claim may arise under the public works lien statutes or the mechanic lien statutes of the State of Washington; and compliance with the formal requirements of either or both said statutes. The District shall release the performance bond in accordance with the provisions of its final acceptance of the Developer Improvement.

XV. EASEMENTS & PERMITS

1. Easement Width & Location of Main therein. Easements for water or wastewater mains shall be a minimum of fifteen (15) feet wide. The center of the pipeline shall be not less than five (5) feet from the edge of the easement. The developer shall provide a wider easement if the District Engineer determines it is required.

2. Developer to Bear Easement Costs. Any required easement shall be obtained by the Developer at its sole cost and expense, and a true copy of such easement (a copy of the conveyance document to be later provided to the District and a description the easement's on ground location) shall be delivered to the District prior to the time Developer commences construction. Upon completion of construction and prior to acceptance of the Developer Improvement by the District in accordance with the provisions hereof, the original easement shall be recorded and granted by warranty deed from the Developer to the District.

3. Easement Title Policy / Survey Record / Easement Restrictions. The Developer shall provide all necessary easements at his sole cost, regardless of changes in the Contract Plans, together with evidence of title and a title insurance policy in the sum not less than \$1,000 per 500 feet of easement, establishing clear title in the grantor. The Developer shall also provide a Record of Survey or final plat-showing basis for control and sufficient information to verify the easement legal descriptions. All easements shall prohibit the construction of any structures, other improvements, or trees over the easement or in any location that would make it difficult for the District to easily access the easement for inspection and maintenance purposes.

4. Easement Conveyance. The Developer shall submit all required easements to the District using the conveyance form set forth in attached "EXHIBIT C", which by this reference is incorporated herein. In the event legal services may be required incident to any easements beyond review of the form thereof, the costs of such services shall be paid by the Developer in the amounts billed to the District before the District's acceptance of the Developer Improvement.

5. Developer to Obtain all Necessary Permits. All necessary permits and approvals from any governmental agency shall be obtained by the Developer directly at the Developer's expense. The District shall be provided with a copy of all such permits and approvals prior to the pre-construction conference between the contractor and the District.

XVI. EVIDENCE OF INSURANCE AND HOLD HARMLESS

1. Developer's Liability Insurance Obligation. The Developer's Contractor shall purchase liability insurance from and maintain such in a company or companies with a Best's rating of no less than A:VII and lawfully authorized to do business in Kitsap County, Washington. Developer's Contractor shall provide the District with written evidence of insurance covering public liability and property damage prior to the time construction of the Developer Improvement occurs. Insurance shall provide protection to the District from claims set forth below which may arise out of or result from the Contractor's operations and including operations by any tier of subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable for:

a) Claims under workers' or workmen's compensation disability benefit and other similar employee benefit acts which are applicable to the Work to be performed, including voluntary coverage

for entities exempt from mandatory coverage; all such coverage to be equivalent to mandatory coverage required by law;

b) Claims for damages because of bodily injury, occupational sickness or disease, or death of the Contractor's employees;

c) Claims for damages because of bodily injury, sickness or disease, or death of any person other than the Contractor's employees;

d) Claims for damages insured by usual personal injury liability coverage which are sustained (1) by a person as a result of an offense directly or indirectly related to employment of such person by the Contractor, or (2) by any other person for any reason;

e) Claims for damages including explosion, collapse and underground (XCU) damages as applicable, other than to the Work itself, because of injury to or destruction of tangible property including loss of use resulting therefrom;

f) Claims for damages because of bodily injury, death of a person or property damage arising out of ownership, maintenance, or use of a motor vehicle; and

g) involving contractual liability insurance applicable to the Developer's and the Contractor's obligations under the indemnification and hold harmless clauses of this Contract.

2. Comprehensive Insurance. The Contractor's liability insurance shall be comprehensive type insurance and shall include all major divisions of coverage including Completed Operations Coverage.

3. Minimum Insurance Coverage Amounts. The Contractor's liability insurance shall be written for not less than the following limits of coverage or the limits required by law, whichever coverage is greater: \$2,000,000.00 for each occurrence with an aggregate limit of not less than \$2,000,000.00 combined single limit. The deductible, if any, shall not exceed \$5,000 and the Contractor shall be solely responsible for payment of the deductible amount.

4. Covered Parties on Insurance. The Developer's Contractor's liability insurance shall name the District and each of its commissioners, officers, employees, agents and consultants as named additional insureds. The Developer's liability insurance shall provide primary coverage. Other insurance carried by the additional insureds shall be deemed excess insurance.

5. Insurance Coverage Time Period. Insurance coverage shall be maintained without interruption from the date of commencement of the work until completion of the work, and at all times thereafter when the Contractor is correcting defective work. The Insurance certificate shall contain a provision that the District shall be notified in writing 30 days before the policies may be canceled or allowed to expire.

6. Indemnification / Hold Harmless Provisions. To the fullest extent permitted by law, the Developer and the Developer's Contractor agree to indemnify and hold harmless the District and each of its employees, agents, consultants, officers and shareholders from and against all claims, damages, losses, and expenses including but not limited to attorney's fees, arising out of or resulting from performance of the work; provided that such insurance shall also provide coverage regarding any

claim, damage, loss or expense attributable to bodily injury, sickness, disease, or death (including that sustained by the work Contractor's or any others working on the project), or to injury to or destruction of tangible property including the loss of use therefrom, regardless of whether such liability, claim, damage, loss, or expense was caused in part by any negligent act or omissions, whether active or passive, by a party indemnified hereunder. Such obligation shall not be construed to negate, abridge, or otherwise reduce any other right or obligation of indemnity, which would otherwise exist.

7. Indemnification / Hold Harmless Provisions to be Broadly Construed. The Developer's and Contractor's liability to the District under this Indemnification Clause shall not be limited by any legal limitation on the amount or type of damages, compensation, or benefits payable under workers' compensation acts, disability benefit acts, or other employee benefit acts. The indemnification and hold harmless rights of the District in regards to the Developer shall be liberally construed in favor of the District.

XVII. GRADING ROADS

1. Pre-Construction Road Work by Developer. Unless otherwise specifically determined in writing by the District, the Developer shall grade all roads to the design subgrade elevations prior to the start of construction and shall advise the District in writing of any changes that may be contemplated during construction prior to such work being performed.

2. Post-Work Changes to Road Elevation or Subgrade. If the Developer changes, or causes to be changed, the subgrade or elevation of the road after completion of the Developer Improvement, or any part thereof, the Developer shall be responsible for all costs incurred for any additional work required as a result of said change in subgrade elevation. This obligation shall remain in full force and effect until the District, Kitsap County and/or any other pertinent municipality possessing jurisdiction where the work is performed releases the right-of-way or road construction bond or any other required bond in connection of the roads within the area.

XIII. DEVELOPER REQUIREMENTS PRIOR TO START OF CONSTRUCTION

The Developer shall not commence construction of the water and/or wastewater system until the following conditions have been fulfilled:

1. The District has completed review of the construction plans and specifications for the Developer Improvement and approved them for construction.
2. Developer's engineer has submitted a construction cost estimate to the District.
3. All costs incurred by the District on behalf of the Developer have been paid in full.
4. Copies of all necessary permits have been received by the District.
5. The performance bond, if required by the District, or other approved method of assuring construction compliance is on file with the District.
6. Evidence of insurance as required in this Contract is on file with the District.

7. Road grading as required by the District or other pertinent parties concerning the Developer Improvement is complete.
8. All easements have been obtained.
9. Utility construction staking is complete.
10. Material submittals have been approved by the District.
11. A pre-construction conference has been held as required in this Contract.
12. Contractor provides the District with an advance 48-hour notification in writing of intent to start work on the Developer Improvement.

XIX. CONSTRUCTION

1. Construction Standards. The Developer shall construct the Developer Improvement in accordance with the District's specifications and standard details. Construction of the Developer Improvement shall be observed by the District in such manner and at such times as the District deems reasonably necessary to assure construction of the Developer Improvement will conform to the plans and specifications approved by the District. The Developer shall permit such observation and cooperate at all times with District personnel in providing reasonable advance notice during the various construction phases as required by the District. The advance notices required by the District personnel will be identified at the pre-construction conference, but in no case shall the advance notice be less than two full working days.

2. District to Have Safe Access to Project. The Developer shall provide the District and its representatives safe access to every part of the work project at all times work is in progress for observation, inspection and testing, all as determined necessary by the District.

3. Observation of Water Lines Prior to Backfilling. The District requires all water lines and mains constructed be observed by the District prior to backfilling. If backfilling occurs prior to such observation, the Developer shall excavate and expose all construction for observation by the District, at no cost to the District. All "as built" information shall be provided by the Developer and verified by District personnel prior to the Contractor being permitted to backfill.

4. Developer Solely Responsible for Performing Work in Accordance with District Standards & Specifications. Any observations by the District, or tests, inspections or approvals by others shall not relieve the Developer and the Contractor from their obligation to perform the work in accordance with the District's Specifications and the approved Contract Drawings.

5. Damage to County Facilities. The Developer agrees that, in the event any authorized official of the Kitsap County Public Works Department complains to the District that the Developer damaged any County facilities, the District shall have the option, twenty-four (24) hours after notification to the Developer, of specifying such complaints or damage, to make such emergency repairs or restoration work as the District deems necessary; and in such event, the District shall have the right to be reimbursed for the reasonable cost thereof from the proceeds in the security deposit. Such notices shall be hand delivered or mailed to the Developer by certified mail, return receipt requested.

XX. DISTRICT ACCEPTANCE OF THE DEVELOPER IMPROVEMENT

The Developer Improvement shall not be accepted by the District until the following requirements are met to the District's satisfaction:

1. District inspection of the Developer Improvement and Developer completion of the punch list items have been completed. Inspection, testing, and lamping reports for the wastewater main have been completed and are on file at the District, and CCTV video tapes or DVD's are submitted and approved.
2. Final construction costs have been submitted to the District.
3. All costs incurred by the District on behalf of the Developer have been paid in full, including construction observation fees and other services provided by the District.
4. Record drawings are complete and certified correct by the Contractor. One complete record set is received by the District on mylar and one set on bond paper. District also shall receive the electronic file of the record drawings in the District-specified format. The electronic copy will be used to update system mapping.
5. All duly Executed Bills of Sales and Conveyances have been received by the District in the form set forth in the attached EXHIBIT B.
6. Easements on the District's form (EXHIBIT C) for all completed water and/or waste-water improvements have been furnished to the District, accepted by the District, and recorded with the Kitsap County Auditor; and the easement title insurance policy, record of survey or final plat have been submitted and accepted by the District.
7. The Developer has furnished the District with an affidavit warranting that all bills pertaining to the Developer Improvement have been paid and there are no liens against the Developer Improvement (EXHIBIT D).
8. The Developer has furnished the District with a two-year guarantee, in the form of a maintenance bond (EXHIBIT F), performance bond extension, or an assignment of funds, that the Developer Improvement will be free of defects in labor and materials during this term. The two-year guarantee period shall commence on the date of acceptance of the completed Developer Improvement. The maintenance bond shall be for 10% of the final construction costs with a minimum bond amount of \$2,000.
9. The District shall not be obliged to provide utility service to the property described in this Contract until all above requirements have been met by the Developer to the District's satisfaction.
10. The District shall not be obligated to provide utility service to the property described in this Contract if construction by third parties of facilities to be deeded to the District has not been completed and accepted by the District, if such third party facilities are necessary to provide utility service to the property described in this Contract.

Unauthorized Connection of Developer Improvement to District System. When an unauthorized connection of the Developer Improvement to the District System is made, the District may implement the following:

1. It may impose a fine for any unauthorized sewer main connection to any District sewer or pump station of up to \$5,000, plus all District costs to disconnect the unauthorized connection and repair the area to its original condition, plus double connection fees upon request for connection by the Developer.
2. It may impose fines for any unauthorized connection of double the normal General Facility Charge fee and Facility Construction Fee.

XXI: LIMITATION OF PERIOD FOR ACCEPTANCE

1. Time Period for Acceptance of Developer Improvement. The Developer Improvement shall be completed and accepted by the District according to its standards within two years of the date of acceptance of this application by the District. If the extension is not completed and accepted within two years from the date the District accepts the application, the Developer's rights under this Contract shall cease, and no additional service shall be connected to such Developer Improvement unless and until the Developer makes a new application which is accepted by the District, or the District consents to the renewal of the existing application. The Developer shall pay all additional administrative, legal, engineering and construction observation costs involved, as determined by the District. Any required new application or renewed contract shall be subject to any new or amended standard specifications, standard details, resolutions or policies of the District, including those related to any increased fees or connection charges, which have taken effect since the execution of the original contract before the District accepts the extension.

2. Notice to Commence Work by District. If the District determines, in its absolute discretion, that it is necessary for the Developer Improvement be completed in order for the District to provide water and/or wastewater service to other property, the District may give the Developer and/or additional owners notice that construction of the Developer Improvement must be commenced within sixty (60) calendar days of the notice by the District to the Developer and/or additional owners, provided that plans have been prepared and approved. If construction is not commenced within the time specified, the District may in its sole discretion terminate this Contract with no resulting liability of any kind as a result of such termination. After any such termination, the District shall retain all payments made by the Developer to the District as the District's sole property and the District shall be free to proceed with construction of the water and/or wastewater improvements within the area described in the developer extension in the manner and method provided by law. If delay in plans is occasioned by failure of the Developer to provide the necessary data to the District, this contract likewise may be terminated by the District with no resulting liability incurred by the District to the Developer, and the District may proceed with construction of the improvements in the manner and method provided by law if the data required to be furnished by the Developer to complete the engineering have not been supplied to the District within 30 calendar days of date of demand thereof by the District upon said Developer.

3. Construction in Phases. The Developer Improvement may be constructed in phases with prior Board approval as conditioned and as specifically designated in the plans and specifications. Acceptance may also be on a phased basis when all requirements have been met. There will be no conditional acceptance by the District of any work performed by the Developer.

XXII. FINAL ACCEPTANCE

1. Conveyance of Developer Improvement to District. Upon completion of the work and approval of the Developer Improvement and all work associated therewith by the District, the Developer shall, as a condition of acceptance by the District, convey the Developer Improvement and all necessary easements to the District by Bill of Sale in the form as set forth on the attached EXHIBIT B, and by Statutory Warranty Deed as to any easements in the form identified herein.

2. Acceptance by District. Upon full compliance with this Contract including connection of the Developer Improvement to the District System and completion and conveyance of the Bill of Sale and any required easements, the District shall accept the Developer Improvement by written notification to the Developer in letterform. Upon acceptance, the Developer shall have the right to use the District System subject to all District regulations, conditions, and charges as it determines to be reasonable and proper from time to time.

XXIII. CORRECTION OF DEFECTS OCCURRING OR DISCOVERED WITHIN WARRANTY PERIOD

1. Post Acceptance Defects in Developer Improvement. If defects in the Developer Improvement are discovered after acceptance thereof by the District within the two-year warranty period, the Developer shall start work to remedy any such defects within seven days receipt of written notice from the District. In the event the Developer does not commence and/or accomplish corrections within the time specified by the District, the work may be accomplished by the District at its option, and the cost thereof shall be paid by the Developer immediately upon demand being made by the District. In emergencies, where public health concerns are involved or where damage may result from delay and/or where loss of service may result, corrections may be made by the District upon discovery, in which case the cost thereof shall be borne by the Developer immediately upon demand being made by the District.

2. Developer Responsible for Work Defects within Warranty Period. The Developer shall be responsible for all expenses incurred by the District of every kind and nature resulting from defects in the Developer's work, including: all actual damages; costs of materials and labor expended by the District in making repairs; and costs of engineering, construction observation, and supervision by the District.

XXIV. PROJECT DOCUMENTS

The documents for the project involving the Developer Improvement as identified herein shall include the following:

- Executed Developer Extension Contract
- Standard Specifications and Details as identified in this Contract
- Change orders after Contract is signed
- District approved plans for the Developer Improvement
- Detailed drawings, Special Specifications, and written instructions by the District Engineer or District Manager concerning the Developer Improvement
- Addenda relating to the work project when written
- Reference Specifications concerning the project
- Performance bond or equivalent instrument as identified in this Contract
- Evidence of insurance as required in this Contract

XXV. SAFETY OF PERSONS AND PROTECTION OF PROPERTY

The Developer shall be solely and exclusively responsible for construction safety means and methods, and for initiating, maintaining and supervising all safety precautions and programs in connection with the performance of all its work relating to the Developer Improvement. The Developer shall insure the Contractor takes all necessary precautions for safety of, and shall provide the necessary protection to prevent damage, injury or loss to:

1. Employees on the project and other persons who may be affected thereby.
2. The work, materials, and equipment incorporated therein, whether in storage on or off the site, under care, custody or control of the Contractor or the Contractor's subcontractors or other sub-subcontractors.
3. Other property at the site or adjacent thereto, such as trees, shrubs, lawns, walks, pavements, roadways, structures, utilities and underground facilities not designated for removal, relocation, or replacement in the course of construction.

Safety Notices. The Contractor shall give notices and comply with applicable laws, ordinances, rules, regulations, and lawful orders of public authorities bearing on safety of persons or property or their protection from damage, injury or loss.

Construction of Safety Related Facilities. The Developer shall erect and maintain, as required by law, conditions and performance of the contract, necessary fences and other safe-guards for safety and protection of persons/property on and off the work site and shall: 1) post danger signs and other warnings against hazards, 2) promulgate safety regulations, and 3) notify owners/users of adjacent sites/utilities when the Contractor's operations may affect them.

Hazardous Materials. When the use or storage of explosives or other hazardous materials or equipment or unusual methods are necessary for execution of the work, the Developer and its agents shall exercise utmost care and carry out such activities under supervision of properly qualified personnel.

Remedying Loss to Property. The Developer shall promptly remedy damage and loss to property that the Developer is required to protect caused in whole or in part by the Developer, Contractor, a subcontractor, or anyone directly or indirectly employed at the worksite.

Safety Officer. The Developer shall designate a responsible and competent member of the Developer's organization at the work site whose duty shall be the prevention of accidents. This person shall be the Contractor's Superintendent unless otherwise designated by the Developer in writing to the District.

Safety Program Maintenance. The Contractor shall be responsible for initiating, maintaining, and supervising all safety precautions and programs required in connection with the project work and shall send copies of all accident, injury, or work-related illness reports and of all notices of unsafe conditions to the District and appropriate governmental authorities.

XXVI. NO ASSIGNMENT WITHOUT DISTRICT APPROVAL

The Developer shall not assign this Contract or any responsibilities imposed upon it hereunder without first obtaining the prior written consent of the District, which the District may grant or withhold in its sole discretion. Written documents as required by the District of any proposed assignment shall be filed with the District by the Developer at the time of any assignment, together with the written consent of the District.

XXVII. ATTORNEYS FEES AND COSTS

In the event either the District or the Developer commences any legal action relating to the provisions of this Contract, the prevailing party shall be entitled, in addition to all other amounts to which it is otherwise entitled by this Contract, to its reasonable attorney's fees and costs involved in such action, including those incurred on appeal.

XXIII: GOVERNING LAW/FORUM

This Contract shall be construed and enforced in accordance with the laws of the State of Washington. Any suit relating to, or to enforce the provisions of this Contract, shall be brought in Kitsap County, Washington Superior Court.

XXIX. SEVERABILITY OF PROVISIONS

The finding under law that any one or more provisions or any portion of a provision in this Contract is invalid, unenforceable, or illegal, shall not impair the validity or enforceability of any other provision hereof or the Contract Documents as a whole.

XXX. EXECUTION

The undersigned Developer and any additional owners warrant and represent they constitute the owners of all real property that is the subject matter of this Contract and, upon request by the District, agree to provide title insurance, establishing to the satisfaction of the District that the parties executing this application constitute the owners of all real property described and have the authority to execute this Contract with respect to said real property and on behalf of any party legal entities.

Dated this 15th day of November, 2022.

DEVELOPER:

HCDI Bridge View LLC
(State full legal name of Developer)

by: 

Print Name: Jeff Habersetzer

Title: Manager

Its duly authorized representative for entry into this Contract

Address: 1201 Pacific Ave, Ste 1200

Tacoma, WA 98402

Contact Phone Numbers: (253) 649-0005

Contact Email: ksawtell@harborcustomdev.com

STATE OF WASHINGTON)
) ss Corporation or LLC Acknowledgment
COUNTY OF PIERCE)

I certify that I know or have satisfactory evidence that ^{Jeff} Habersetzer is the person who appeared before me, and such person acknowledged he/she signed this instrument, and on oath stated he/she were authorized to execute it on behalf of HCDI Bridge View LLC, a Washington corporation (insert "corporation" or "limited liability company" as appropriate); and he/she acknowledged it as manager (state the offices of each), respectively, of such business entity, to be the free and voluntary act of such business entity for the uses and purposes mentioned in the instrument.

Dated: Nov. 15, 2022



Shawn Squier

Print Name: Shawn Squier

NOTARY PUBLIC in and for the State of

Washington, residing in King County

My Commission Expires: 3/31/2025

ACCEPTANCE OF CONTRACT BY DISTRICT: Upon compliance with all terms and conditions of this Contract by the Developer in a timely manner, the District will accept the Developer Improvement and furnish the applicable utility service thereto.

WEST SOUND UTILITY DISTRICT

by: _____
General Manager

Date: _____

Print Name:

EXHIBIT "A"

DEVELOPER EXTENSION CONTRACT / LOCATION OF DEVELOPER IMPROVEMENT

Project Name: Bridgeview Trails Apartments

The proposed Developer Improvement will be installed on, under, and/or over: roads; easements; and/or other rights-of-way. The Developer Improvements shall be for the use and benefit of the real property hereafter described, which real property is owned by the Developer and/or other persons who are contributing to the costs of said Developer Improvement and said other owners join in this application and are referred to as "additional owners" in this Contract. The said real property is described as follows:

Legal description of Premises-Insert or attach all applicable legal description(s) and tax parcel number(s)

Parcel I:

Tract 13, Port Orchard Villa Tracts, according to the plat recorded in volume 4 of Plats, page 100, records of Kitsap County, Washington.

Parcel II:

The East half of the South half of the South half of the Northwest quarter of the Southeast quarter, Section 35, Township 24 North, Range 1 East, W.M., in Kitsap County, Washington;

EXCEPT that portion on the West conveyed to the City of Port Orchard in Statutory Warranty Deed recorded under Auditor's File No. 8311140086, for SE Lund Avenue.

Abbreviated Legal:

Tract 13, Port Orchard Villa Tracts and PTN NW/SE 35-24-1E

Parcel No(s): 4625-000-013-0002 and 352401-4-002-2006