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IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN AND FOR THE COUNTY OF PIERCE

WASHINGTON STATE DEPARTMENT
OF HEALTH,

Petitioner, NO. 17-2-12992-1

vs.

RECEIVER PIERCE COUNTY'S
REPORT ON FINANCES AND
OPERATIONS

KAPOWSIN WATER DISTRICT, Owner,
KAPOWSIN WATER SYSTEM,

Respondent.

Receivership Actions and Timelines

Since Pierce County took over Kapowsin Water District (KWD) in receivership on November 29, 2017 many actions have occurred such as, but not limited to:

- Transfer of the KWD from Valley Water District (VWD) to Pierce County and set up a new Pierce County process for accounts payable and receivable actions
- Payment of outstanding items such as state B&O taxes and insurance

1 policy

- 2 • Obtained Maintenance & Operations contract with VWD
- 3 • Completed a variety of repairs including fixing the broken surface
- 4 water transmission line and other non-operational infrastructure
- 5 • Installed a water sampling station per Department of Health (DOH)
- 6 Notice of Violation letter
- 7 • Working with federal and state agencies to obtain grant/loan funding
- 8 to pay for the new groundwater well
- 9
- 10 • Working on design and bid package for new groundwater well

11

12 The surface water transmission line once again failed on December 16, 2018, which

13 resulted in the need to haul water for one day until repairs could be made. This

14 failure continues to demonstrate that the surface water source is an unreliable long-

15 term source of water.

16

17 **Overview of Revenues and Expenditures**

18 Pierce County continues to collect \$150/month/account from KWD's 40

19 customers. Throughout 2018, operational costs have remained higher than revenues

20 collected. The County projects that KWD's operational deficit will be approximately

21 \$115,000 by the end of 2018, including Valley Water District's \$87,627 creditor's

22 claim. To date, the issue of the claim amount has not been resolved with Valley

23 Water District. VWD has indicated to the County that they would assume this claim

24 amount if the KWD system is transferred back to VWD via the Disposition Plan

25

1 process. The County's operational revenue shortfall, excluding the VWD claim, is
2 approximately \$27,322 (excluding state B&O taxes.)
3

4 In addition to the operational revenues collected to run the water system, the County
5 is in the process of securing United States Department of Agriculture - Rural
6 Development (USDA-RD) and Washington State Department of Health (DOH)
7 grants/loans to help pay for expenditures related to developing a new safe and reliable
8 ground water source. The current project cost estimates for developing the ground
9 water source is approximately \$1.2 million if an adequate water source is found at the
10 first drill site. This amount does not include any other identified system
11 improvements that continue to be the subject of negotiation between the County,
12 DOH and VWD to determine what is necessary to transition the KWD out of
13 receivership. The new well project expenditures through the end of the 3rd Quarter
14 2018 are \$74,300. The County will not be able to determine total amount owing on
15 the capital project until after completion of construction and full payout of grant/loan
16 monies. A more detailed breakdown of revenues and expenditures is included on
17 Attachment A.
18
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20 Pursuant to RCW 43.70.195 (5), The Court shall authorize the receiver (Pierce
21 County) to impose reasonable assessments on a water system's customers to recover
22 expenditures for improvements necessary for the public health and safety. Per this
23 authority, the County is reviewing options to recover outstanding receivership costs
24 including administering a special surcharge of approximately \$700/connection or
25

1 allowing this amount to be paid over a one-year time period by increasing the
2 monthly rate by approximately \$60/connection to \$210/connection. The County may
3 also explore establishing a water usage rate, in keeping with normal water system
4 governance practices.

5 6 **Well Drilling Project**

7 The completion of new well construction is anticipated by September 2020. To date,
8 the County has completed a hydrogeologic analysis, developed the engineering
9 design and bid specifications for the well drilling Phase 1 construction package,
10 completed cultural and environmental reviews for the grant applications, and applied
11 for the new groundwater water rights associated with the well. The next steps in this
12 construction project include:
13

- 14 • Advertise the bid package for Phase 1 well drilling documents by January 23,
15 2019.
- 16 • Notice to Proceed on Phase 1 bid award by beginning of March 2019.
- 17 • If first well drill is successful, then conduct pumping test and collect water
18 quality samples by June 2019.
- 19 • Phase 1 completion by July 2019.
- 20 • Complete Phase 2 bid design package by September 2019.
- 21 • Advertise Phase 2 bid in October 2019.
- 22 • Begin Phase 2 construction in January 2020.
- 23 • Final testing and closeout by September 2020.
- 24
- 25

1 This well project schedule is contingent on receiving the two \$500,000 grant
2 contracts from both DOH and USDA-RD and a \$200,000 loan contract award from
3 DOH to cover the costs associated with this project.
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7 SIGNED at Tacoma, Washington this 21st day of December, 2018.
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10 Katherine Brooks
11 Pierce County Planning & Public Works
12 Planning Manager
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