

Burton Water Cooperative

Community Newsletter #1

March 16, 2022

Here are a few important updates from the community exploratory committees researching the due diligence of the cooperative purchase and management of the Burton Water system. Please encourage your neighbors and friends in the community to provide their contact information on the cooperative's website (www.burtonwater.org). Our most challenging task is simply building the contact list so that we can communicate with and receive input from the community.

Last Community Meeting was held on March 6

The exploratory committees hosted a community meeting to update the community on work to date for the due diligence period. Updates came from the Governance, Operations, Membership, and Finance Committees. A video recording of the meeting is linked on the co-op's website (www.burtonwater.org - see the 'New Developments' section). A written summary of the Questions & Answers discussed at the meeting is below.

The **Next Community Meeting** will be held on Sunday, April 24th at 4pm.

Wellfield Site Tours are Available

The Operations Committee, with help from the current Burton Water system operators, is hosting guided tours of the wellfield, storage, and treatment facilities. It's a great opportunity for you to see first-hand where your water comes from - it's really quite cool. If you are interested, send us an email at info@burtonwater.org to get signed up for the next available tour.

Legislative Funding Received!

The Washington State Legislature's supplemental budget approved in March included a \$26,000 expenditure for the Burton Water Cooperative feasibility study work. The exploratory committees secured this funding with an application to the Legislature's Local Community Projects program. The funds will become available starting July 1. While this is an important development that will help with work to be completed later this year, the due diligence period will require funds for studies and legal counsel to be completed before these legislative funds are available. Therefore, the Burton Water Cooperative Board will likely be requesting funds from the community within the next few weeks to help support the due diligence studies in the short-term.

Questions & Answers

You asked, we answered. Below is a summary of the questions and answers from the March 6, 2022 community meeting. If you have additional follow-up questions, email us at info@burtonwater.org

Q: Who would run the Burton Water Cooperative?

A: The Board, elected by the membership, would be responsible for the overall policies and management of the water company. The Board would hire a water system operator to handle day-to-day operations along with other staff capacity to respond to leaks and other customer service. The Coop would also have part time bookkeeping help for billing and financial record keeping. The operator would be responsible to the Board and the membership.

Q: How much more do you need to raise for feasibility?

A: We estimate that \$50,000 to \$60,000 will be needed to carry out the required due diligence studies. Currently, there is a commitment for \$5,000 to \$10,000 from a combination of grant funds from NWCDC and volunteer contributions. We are looking for the balance in the form of community contributions and/or a loan.

Q: Can you explain the risk/downside and how it might be mitigated. For example, if there is a major unanticipated failure, would users/owners potentially be liable for the expense needed to restore the system? Is there insurance available?

A: There are two kinds of financial risk-operating costs and infrastructure failure/replacement. On the operating side we are looking at the historical expenses for the Burton Water Company as well as data from the other Vashon water companies. We should have a pretty well supported budget for regular operating costs backed by an Operating Reserve. On the infrastructure side we have engaged an engineering firm experienced with water systems to conduct a Capital Needs Assessment (CNA) looking at the key infrastructure (wells, storage tanks, supply lines, meters, and connections). From this we will project what level of reserves we would need.

Once operating, the strategy should be to build a strong balance sheet with cash reserves that can absorb a significant loss and maintain continuity of operations. We can look into the availability of insurance. There may be emergency grants or loans from state or federal agencies in the case of (unlikely) catastrophic failure.

Q: So, are customers purchasing the company or are there specific people who are buying it?

A: The Burton Water Cooperative would be the entity making the purchase, and the cooperative would be owned by customers of the Burton Water system (i.e., the Burton Water community). Anyone in the Burton Water community can become a member of the cooperative to have a say in how the system is managed.

Q: How would a cooperative make sure investments are at an appropriate (sufficiently high) level, rather than a potential temptation to keep investments too low to keep rates low in the short term?

A: Unlike private companies, cooperatives have the interest of their members (not shareholders) at heart and are not under pressure from shareholders to deliver profits. The result tends to be a slow and steady management style aimed at keeping volatility out. Public ownership has lower risks than private ownership. Also, from the CNA, we now have a decent idea of what to expect in terms of capital expenses on the 20-year timeframe; the CNA is an important tool for the financial planning of the system. It is already being incorporated into our financial models.

Q: Are there additional water shares available?

A: Burton Water Company has been operating conservatively at 415 approved connections for some time, dictated in part by Department of Ecology water rights. They are not offering additional shares. This operating philosophy has been to provide a reliable water source throughout the year which would be carried on by the cooperative. However, there are additional water flow records to be collected and studied which would inform whether we are up against our limits yet. The bottom line is that we don't yet have the data to support a decision about additional shares but intend to start collecting that data for analysis

Q: If the system were upgraded would you increase the water shares?

A: The potential to increase water shares, while partially dependent on the system's infrastructure, is mostly driven by the number of connections approved by the Washington Department of Health and the limitations of the system's water rights. Water rights come with a maximum authorized instantaneous quantity (e.g., ~245 gpm in the case of this system) and an annual quantity (e.g., 152.4 acre-ft per year). From the flow data that we've seen, it appears that the system is well below its annual quantity threshold, but we don't have data on the instantaneous quantity flows. In other words, we can't quite say yet whether the system's water rights would allow additional connections. We intend to start collecting the data that would help us make that determination.

Q: How many people are currently on the list for water shares?

A: Burton Water Company estimates about 43 households on the list, although the list is old. Some of the applications may be for uses such as ADUs on existing lots as well as undeveloped lots.

Q: Would the coop voting be "one-share, one vote," presumably? One vote per household in other words?

A: Yes. Currently, the way the bylaws are structured, each physical connection to the system would come with a membership. Each membership would get one vote.

Q: Are fire hydrants supplied by the system? I've heard they have inadequate capability. Might the coop deal with this, if needed?

A: The CNA includes information that when upgrading old lines, adequate flow to fire hydrants (i.e., larger pipes are required in some areas) should be planned for. We are aware of the significant cost to homeowners seeking to build or remodel a residential structure that is beyond the minimum allowable distance from a fire hydrant with full flows, per the fire code (i.e., related to the need to install fire suppression sprinklers). It is our assumption at this point that when segments of old main distribution piping are replaced, they will be upgraded to sizes that will allow adequate fire flows and installation of fire hydrants.

Q: Are there other co-op models to learn from?

A: Yes, and right here on the island: Westside, Heights, Maury Mutual, and Dockton are all community owned water cooperatives. They all have policies and procedures and demonstrated long-term stewardship, balancing rates and adequate reserves for system replacement and upgrade. The Governance Committee has interviewed managers and operators from most of those cooperatives to learn from their experiences. They have also provided their bylaws for us to review as examples. We are incorporating portions of those example bylaws, as well as suggestions from the Cooperative Development Institute, into a set of interim bylaws for the due diligence period and draft operational bylaws.

Q: Can a coop get more resources for helping users with water conservation?

A: We think the Coop could be a valuable resource for conservation information, products, and vendors. We can do some outreach as a community to find information.

Q: What percentage of the water lines are old galvanized pipe versus updated PVC pipe? Does BWC own backhoes and other digging equipment that would be included in this purchase?

A: The existing main distribution system consists of a mix of material and size, from 8-inch PVC to 6-inch asbestos cement (AC; a common water system pipe material from the 1950s to 1980s) to 2-inch galvanized steel. The total length of the main distribution system is approximately 35,000 ft. The Capital Needs Assessment recommends eventual replacement of the approximately 4,300 ft of AC pipe and approximately 9,000 ft of galvanized steel pipe. BWC does not currently own excavation equipment.

Q: Some people have horrible water pressure. Will that be addressed?

A: Lots of old homes are plumbed with old pipe which creates pressure problems. Also, some customers have pressure reducers on their side of the meter that can cause pressure-related issues at the home. Burton Water can check if it's the home or the system creating pressure problems. Please reach out to Burton Water now.

The CNA also notes a future project of replumbing at the source which could help increase the overall pressure available on the system.

Q: Will the state regulate rate increases for a cooperative?

A: No. Consumer owned utilities typically set their own rates since the consumers are in control. This is the case with Water District 19, Dockton Water, Heights Water, Westside Water, and Maury Mutual water, all on the island.

Q: Does rainwater collection make any sense in the Burton Water service area?

A: Sure...individual rainwater collection would not impact availability to Burton Water, as rainfall mainly flows to the Sound. Small-scale rainwater collection for outdoor irrigation use is a good option for reducing your water usage from the potable water system.

Q: Are there any nearby possible new water users outside but near Burton water that could start pumping and possibly affect the Burton aquifer?

A: Our water source is a shallow aquifer. Most other significant water users on the island pull from deeper sources. Pumping from deeper wells would have little impact on the shallow wells of the Burton Water system. Any water use (and groundwater withdrawals) would fall under the state's water rights law and the 'first in time, first in right' provision. Since most of the water on the island (and in particularly the area of the Burton Water aquifer) has been appropriated already, a new significant water user is unlikely. Arguably, a more pressing concern than water quantity would be water quality and the land use of the large tracts of land immediately north of the Burton Water wellfield source site (and within the recharge area of the Burton Water aquifer). Past agricultural irrigation of that land to the north was thought to have led to a rise in nitrate concentrations in the Burton Water system. With reduced irrigation activities of recent years, the nitrate issue has abated for now.

Q: Has Burton Water been grandfathered on any environmental issues that might result in additional scrutiny if new ownership takes over the system?

A: We don't think so and can't imagine that new ownership would result in any immediate changes from Department of Ecology or Department of Health. Any future work on system upgrades will be required to follow current environmental and cultural resources requirements but that would be the case under any ownership structure.