

Meeting Summary
Nampa Wastewater Advisory Group
Meeting #4 | Oct. 12, 2017 | 4-6 p.m.
Nampa Civic Center

Overview

The City of Nampa is evaluating options to upgrade its wastewater treatment infrastructure, address regulatory requirements and prepare for the future. Based on community input and technical analysis, the City has adopted a multi-phase approach to the upgrades. Phase I is under construction. The City is currently evaluating alternatives for the next two phases of upgrades.

The City is working closely with a group of community members and industry representatives during the decision-making process. This group, called the Nampa Wastewater Advisory Group (NWAG) has agreed to provide feedback to the City on the facility planning process and spend time learning about the technical considerations. City public works staff and project engineers have committed to preparing group members with a basic knowledge of wastewater and the complexities of Nampa’s system.

The NWAG met for the fourth time on Oct. 14, 2017. Fifty people signed in.

Meeting #4 Objectives

- Update the NWAG on the Nampa City Council’s direction on the preferred alternative and review input from Industry Working Group
- Provide an overview of the Cost of Service methodology that will be used for developing rates for the Phase II Upgrades.
- Discuss next steps for public engagement.

Summary Contents

This document includes a summary of the presentation, questions and comments from the NWAG meeting. Answers to members’ questions have been provided by the technical team.

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Next Meeting Date

NWAG Meeting #5	Nov. 28, 2107
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Presentation Summary | NWAG Meeting #4

The content of NWAG Meeting #4 was presented on PowerPoint slides. The slides included detailed information about each agenda item and are attached as an appendix to this document. A summary is included here for reference.

Opening remarks | Michael Fuss, P.E., Nampa Public Works Director

- Michael introduced himself and the Wastewater Program Management Team.
- Thank you for joining us today. This is a big process. We made the first round of decisions in 2009 and 2010 for selecting the approach to Phase I Upgrades, which are currently under construction. This is our fourth meeting of the second round to select our approach to Phase II Upgrades.
- Today we will update you about the Nampa City's Council direction on the Preferred Alternative and review input from Industry Working Group. We will also provide an overview of the Cost of Service methodology and discuss the next steps for public engagement.
- Our overarching goal is to make the best decision for Nampa. We will meet the EPA standards, but we want to find the right solution for Nampa.
- Our next meeting will focus on specific rate information and results from the Cost of Service Study.

Preferred Alternative | Matt Gregg, P.E., Brown and Caldwell

- Matt summarized the six alternatives, including the Preferred Alternative (Alternative 2.5 – Treat and Discharge Class A to Industry and Irrigation). The committee has placed a high value on water reuse and economic development.
- Matt reviewed the process of evaluating and comparing the alternatives. The capital and operations costs are similar for all of the alternatives. Alternative 5 and Alternative 6 have the highest level of risk and therefore are more costly than the other alternatives. As the value of water increases over time, Alternative 2.5 becomes more favorable. The results of the evaluation process indicated Alternative 2.5 as the Preferred Alternative that aligns with the City's level of service goals for economic development.
- The evaluation process also includes a sensitivity analysis, which considered what would happen to results if our assumptions change. The results of the sensitivity analysis indicate Alternative 2.5 is still preferred when these input assumptions are adjusted.
- The Industry Working Group is interested in developing a recycled water program and sees potential in industry reuse.
- The City Council has directed the Wastewater Program Management Team to develop a recycled water program for Nampa to maximize the value of treated water in Nampa. The Council would like to look for opportunities to maximize the amount of reusable water through a combination of industrial and irrigation reuse.

- The City is also considering potential obstacles (fatal flaws) associated with discharge to an irrigation canal. The City has begun to work with DEQ on submitting a municipal reuse permit. We will also be working on forming an agreement with Pioneer Irrigation District to facilitate recycled water. The City is evaluating approaches to funding the Preferred Alternative construction. A rate increase will be required for the Phase II project. The Phase II rate increase is expected to take effect in late 2018.
- Matt provided a summary of the project's expected future schedule. The long-term delivery schedule shows the process of design and construction. A large portion of the plant will be under construction. Pre-design, design and bidding will occur between 2018 and 2021. The City will allow a four-year window for construction between 2021 and 2025. The City will also leave time for the wastewater staff to bring new equipment and processes online with the existing facilities and begin treating the water to the correct levels. The City must comply with the new EPA permit by 2026 for phosphorus and by 2031 for temperature.
- *After Matt's presentation, Rosemary Curtin asked group members to introduce themselves. She reminded the group that all materials are posted online at www.cityofnampa.us/wastewater.*

Overview of the Cost of Service methodology | John Ghilarducci, FCS Group

- The role of FCS Group is to perform a cost of service rate analysis. We do not have results today, but we will share them at the next meeting. This meeting will focus on the study process.
- The first step of the cost of service study is to determine how much money the City needs to collect (from rates) in order to meet the financial obligations of the utility. We will look at the capital improvement plan, which includes all of the projects the City is considering for treatment and collection. The forecast also includes operations costs (e.g., employees salaries).
- The next step is determining how costs are divided into functions. Functions include customer service, flow and volume, treating different strengths of wastewater (i.e. removing biochemical oxygen demand (BOD), total suspended solids (TSS), total nitrogen (TKN), and total phosphorus (TP)).
- Different customer groups demand different levels of treatment. We determine rates that are different for each type of customer (i.e., industrial customers, residents, etc.). This distributes the costs among customer classes according to the unique demand each customer class places on the system.
- Then we look at revenue requirements to cover both capital costs (large projects) and operations costs (personnel and maintenance). The City is investigating multiple approaches to generating this revenue.
- The next step is to design the rate. We have some choices about how much of the rate is fixed and how much is a volume-related charge.

- The City also has a few choices about when to make rate adjustments. The City could take a large increase early in the process or smooth out the rate increase over time. This is a policy decision. Your comment sheet includes a question about which option you would prefer.
- The study shows how much of the cost can be attributed to treatment, how much to flow volume, etc. We can use this to forecast how much each customer should be paying.
- Nampa's current rate structure is bi-monthly. Each customer type pays a certain rate for every 100 cubic feet of water use. Most of Nampa's wastewater customers are called "SE2," which is domestic strength wastewater. These customers pay a base rate plus \$2.41 for every 100 cubic feet of water use. Other classes are higher cost per volume because their wastewater requires more treatment. For industrial customers, we charge based on their exact flows and loads because they introduce more water into the system.
- During the 2012 cost of service analysis, which was conducted to fund the Phase I Upgrades, we learned that half the costs of providing wastewater are related to the volume of wastewater. Four percent is related to customer service costs such as billing and administration. Other components include treating the wastewater to different strengths. At that time, phosphorus was not a significant fraction of the customer rate structure because the City did not have to treat for it.
- Our next step was to allocate costs for each customer type depending on their demands and the strength of their effluent (i.e., wastewater coming to the plant for treatment). Before the rate change in 2012, domestic customers (SE2) were shouldering 68 percent of the cost burden. As a result of the cost of service analysis, their burden went down to 61 percent and another customer type took a larger portion. We call these "equity shifts."
- You haven't seen the results of the current cost of service analysis yet for Phase II Upgrades, but we would like to have your input on a policy question first. If the current study reveals inequities among customer types, should we phase in the rate changes so we do not create undue impacts to different customer types? In other words, should the cost of service analysis results be fully implemented, phased, or ignored? Please let us know on your comment sheets.
- Once we know how much wastewater is generated by each customer class, we still need to answer the question of how much should be a fixed rate vs. variable rate. Variable rates reward people for less water use and allocate costs to those who use more water. On the other hand, a fixed rate allows the City to better predict its revenue each month.
- On your comment sheets, we would like to know how you would value each criteria involved in the rate design – financial sustainability, conservation and efficiency, and fairness and equity. Those criteria involve trade-offs; each one can't be a 5.
- Cities vary widely in their approach to rate design. Some cities (such as Eagle, Coeur d'Alene, Pocatello and Idaho Falls) do not have a volume component, they are entirely fixed rates. Some (such as Portland) have a rate that is entirely variable, i.e. based on volume. Others have a combination of fixed and variable rate. Each city's rate systems are different.

- Over the next several weeks we will continue evaluating revenue requirements, cost of service analysis, and update wastewater hookup fees. We will share the results at the next NWAG meeting.

Next steps | Rosemary Curtin

- This decision-making process is very technical. It will be very important to communicate with the community so they have confidence that Nampa has done “due diligence” with the technical process.
- Next year we will continue the process of community outreach and education. We will need NWAG members to help us during this process. What is the best way to communicate with folks? We need help identifying groups, events and community leaders that we can touch base with. Our success will be at a grassroots level. Please let us know on your comment sheets.
- The next meeting will be held Nov. 28. Thank you for your time today.

Questions and Answers | NWAG Meeting #4

Attendees were invited to ask questions during the presentation and record questions on comment sheets. Answers from the City and its technical team have been provided for reference.

1. Is Alternative 5 still an option? It is my understanding that this alternative includes water reuse.

Alternative 5 would not include a Class A water reuse program. Alternative 5 involves working with farmers through a water quality trading program to reduce phosphorus in agricultural runoff and still meet the City's discharge permit requirements.

2. Does the City have any indication about the disposition of the irrigation canal company towards Alternative 2.5?

The response so far has been positive. We are working with Pioneer Irrigation District to form an agreement to continue advancing this alternative.

3. In my understanding, the City of Pocatello was recently sued over wastewater rates. Was it because they took a large increase early in the process? Or for some other reason?

The City of Pocatello case was an issue in which the city illegally charged wastewater fees to raise money for the city's general fund. Idaho Supreme Court justices ruled that the sewer and water fees were not appropriately set to cover government service costs.

4. Does the rate increase apply to both commercial and industrial customers?

Yes. We are looking at percentage increases to meet cost requirements. The next step in the study will tell us what the commercial, residential and industrial cost shares will be.

5. Does the City know about other upcoming utility costs or major sewer improvements that would also raise rates? Is the City coordinating with other utilities such as pressurized irrigation?

We are trying to forecast every need for treatment and collection to the best of our abilities. There could be changes we can't predict, but we are trying to forecast everything. The cost of service study looks at sewer rates as a standalone issue.

The irrigation and domestic water systems are operated as two separate utilities, similar to wastewater. Irrigation and Domestic Water both have completed cost of service studies that identified a revenue shortfall. Irrigation rates were adjusted in one year. For Domestic Water, it was decided to use a phased approach over time.

6. Does the Cost of Service analysis include only employees that will be added, or the total number as a result of the upgrades?

The analysis looks at all of the employees that will be needed in the future.

7. Please explain the abbreviations in the Previous Functional Allocation Results slide.

This slide shows what costs are attributed to various functions and treatment strengths. Biochemical oxygen demand (BOD) represents the carbon in the wastewater. TSS represents total suspended solids. TKN represents nitrogen. TP represents phosphorus.

8. Will the cost of service analysis evaluate hookup fees?

Hookup fees are included in the analysis.

9. Based on the slides today, will more of the financial burden shift to businesses immediately?

Let me clarify that the slides today show a previous cost of service study from 2012 to address Phase I Upgrades. The approach to any rate increases and shifts in equity will be discussed at NWAG #5.

10. In neighboring cities, do residents subsidize businesses or does everyone pay for their own usage?

Different cities are all over the map. Some cities charge flat fees and other cities use variable rates. In general, the industry is turning toward a cost of service approach because wastewater rates are increasing. Fairness becomes more important to people as costs increase.

11. My comment is that a flat rate does not incentivize people to minimize water usage. People are more apt to be conservative and thoughtful with their usage if they are charged for that use.

Good point. A “volume” rate encourages some people to conserve and rewards those who do. How conservation and efficiency ranks amongst the other priorities (financial stability, fairness and equity) for the community will be evaluated during rate design.

12. Do the slides today only show current rates? They don't take into account the potential rate increase?

Yes, the slides today show current rates. We will have the projected rate increases for you next time.

13. Would it be possible to adjust the rate for people who are over a certain age? “Front loading” really hurts seniors who are on fixed or decreasing incomes.

Thank you. This type of information is very helpful to us. Please make a note on your comment sheets.

Comment Sheets | NWAG Meeting #4

NWAG members had the opportunity to complete two comment sheets during and after the presentation. The first comment sheet focused on rate design and the Cost of Service Study. Questions included:

1. Is there a preferred pattern for future rate increases (front-loaded vs. smoothed)? Why?
2. Should cost of service results be fully implemented, phased or ignored?
3. On a scale of 1 to 5, please circle the importance of each sample criteria for rate structure/rate design. (Criteria included financial sustainability, conservation and efficiency, and fairness and equity.)

The second comment sheet focused on community outreach. NWAG members were encouraged to take the comment sheet with them and return it at the next NWAG meeting. Questions included:

1. Please identify groups, events and key community leaders the city of Nampa should reach out to.
2. Would you like to be involved with reaching out to any of these groups, events and key leaders? If yes, how?
3. Other comments or questions.

Overall themes

The city received 19 sets of comment sheets after the fourth NWAG meeting. A few themes were consistent:

- A clear preference for smooth rate increases (rather than front-loaded).
- Strong support for the cost of service methodology.
- A slight preference for financial sustainability when designing rates, followed by fairness and equity. Conservation and efficiency were ranked lower.

Question-by-question summary

1. Is there a preferred pattern for future rate increases (front-loaded vs. smoothed)? Why?

19 people responded to this question.

- 17 preferred smoothed rate increases.
- 2 preferred front-loaded rate increases.

Comments in support of a smoothed rate increase included:

- It is easier for homeowners and businesses to budget for.
- It is easier to “sell” to the community with fewer complaints and misunderstandings.
- It is easier for seniors.

Those who preferred front-loading gave the following reasons:

- Front-loading builds in margin for capital projects.
- It’s better to “rip the bandage” with just one painful increase.

2. Should cost of service results be fully implemented, phased or ignored?

17 people responded to this question.

- 14 preferred phased implementation.
- 3 preferred full implementation.
- No one wished to ignore the cost of service results.

Comments in support for the phased approach included:

- Any increases should be gentle or phased to reduce impacts.
- Wait for the results of the cost of service study; phase in only if impacts are significant.
- Large fee increases contribute to a mindset that the City is “out to get us.”
- Phasing reduces the temptation to overspend.

Comments in support of full implementation included:

- Full implementation makes sense and is fair.

Other comments included:

- Avoid industrial subsidies.
- Consider what neighboring cities are doing.
- Are you planning for a hotel tax?

3. On a scale of 1 to 5, please circle the importance of each sample criteria for rate structure/ rate design.

18 people responded to this question.

Financial sustainability

A clear majority of responses said this factor was “very important” or “important,” but not the most important factor.

- 1 person indicated this was “most important” (a “1” ranking).
- 7 people indicated this was “very important” (a “2” ranking).
- 7 people indicated this was “important” (a “3” ranking).
- 2 people indicated this was “somewhat important” (a “4” ranking).
- No one indicated this was “not important” (a “5” ranking).

Comments included:

- Good predictions with regular review should make financial sustainability possible without basing a rate structure on this.
- Obviously some sort of fixed base rate is helpful for stability, but it should not be the driving factor.
- Consider retirees.

Conservation and efficiency

The city received mixed responses about this factor.

- 5 people indicated this was “most important” (a “1” ranking).
- 3 people indicated this was “very” important” (a “2” ranking).
- 3 people indicated this was “important” (a “3” ranking).
- 4 people indicated this was “somewhat important” (a “4” ranking).
- 4 people indicated this was “not as important” (a “5” ranking).

Comments included:

- To mitigate the income fluctuation, maybe there could be just three levels of fees: high, medium and low volume.
- I think this policy could be particularly helpful in encouraging industrial customers to innovate their water usage for fiduciary/environmental reasons.
- The more water you use, the higher your rate. Encourages conservation and potentially less cost; fair.

Fairness and equity

This factor was named “most important” most frequently.

- 7 people indicated this was “most important” (a “1” ranking).
- 2 people indicated this was “very” important” (a “2” ranking).
- 4 people indicated this was “important” (a “3” ranking).
- 3 people indicated this factor was “somewhat important” (a “4” ranking).
- 3 people indicated this was “not as important” (a “5” ranking).

Comments included:

- Fair is not always equal. Rather, it is what you deserve.
- As long as it doesn’t become too cumbersome to administer, I like this approach.
- If industrial customers are driving consumption/environmental upgrade needs, they should pay more per cycle, and vice versa if driven by residential customers.
- Fairness is always important – including perception.

Please identify groups, events and key community leaders the city should reach out to. Would you like to be involved with reaching out to any of these groups, events and key leaders?

The city is continuing to collect responses to these questions and will follow up with group members at the NWAG Meeting #5.