

TO: James L. App, City Manager
FROM: Doug Monn, Public Works Director
SUBJECT: Wastewater Rate and Facility Charge Study
DATE: April 21, 2009

NEEDS: For the City Council to consider contracting T. J. Cross Engineers, Inc. (Christine Halley) and Kennedy/Jenks Consultants to perform a wastewater needs assessment, rate study, and facility charge study.

FACTS:

1. The City operates a 4.9 million gallon per day wastewater treatment plant that is 54 years old and in need of repair and upgrades for current code compliance.
2. The current wastewater treatment process cannot consistently comply with the waste discharge requirements as established by the State Water Resources Control Board.
3. Violations of ammonia, salts, and toxicity constituents have occurred in the discharge and a draft Cease & Desist Order is in review now.
4. On May 20, 2008, the City Council authorized the Public Works Dept to proceed with design of an upgrade to the wastewater treatment plant and a Draft Facilities Plan outlining necessary upgrades was published in January 2009.
5. The estimated cost to upgrade the wastewater plant including design, environmental, construction, and other project costs is \$51 million. This is a preliminary figure and will be revised as the project progresses. The City has applied for State Revolving Fund financing for the plant upgrade.
6. In June 2006, the *Sewer Collection System Master Plan* prepared by Boyle Engineering Corp., found that 4 of the City's 15 sewage lift stations need additional capacity; new collectors are needed in 4 major expansion areas; and larger collectors are needed to reliably meet existing customer needs. In all, approximately \$45 million in capital improvement projects were identified in addition to the recommended treatment plant upgrade.
7. It has been five years since the City's wastewater rates and facility charges have been comprehensively evaluated.

**ANALYSIS &
CONCLUSION:**

Current revenues into the Wastewater Fund are inadequate to fund the necessary expansion of system operations and improvements. An updated wastewater needs assessment, rate and facility charge study are needed to identify an adequate level of revenues.

Kennedy/Jenks Consultants and TJCross Engineers (Christine Halley) recently completed the water rate study for Paso Robles. Public Works proposes to retain the same team for the wastewater rate and facility charge study which would be approached in the following manner:

- Data collection and update of the wastewater system capital improvement program
- Assess operations staffing for wastewater collection and treatment and incorporate the staffing plan into overall system operations and maintenance cost projection.
- Develop a Revenue Plan for the projected wastewater program. Include an allowance for new wastewater accounts and discharge trends. Describe basis for capital project funding (pay-as-you-go vs. State Revolving Fund, bond financing or other) and reserve accrual.
- Examine alternatives for Rate Restructuring and Cost of Service. Include fixed/variable analyses in the alternatives evaluation.
- Prepare various iterations of the financial planning for City consideration.
- Present findings in a report to the City, meet with City over course of the rate study to gather data, integrate comments, and present findings to City Council and the public.

The wastewater user rate and facility charge study would be prepared over the coming year.

POLICY

REFERENCE: Economic Strategy; Integrated Water Resource Plan.

FISCAL IMPACT: The estimated combined fee for Kennedy/Jenks Consultants and TJCross Engineers, Inc. (Christine Hallsy) to provide the services outlined is \$205,000; the cost for this undertaking would be paid from the Waste Water Treatment Operating Fund.

- OPTIONS:**
- a. Adopt Resolution No. 09-xx appropriating \$205,000 from Waste Water Treatment Operating Fund to perform a wastewater rate and fee study and authorizing the City Manager to enter into contractual arrangements with Kennedy/Jenks Consultants and Mrs. Halley of TJCross Engineers (Christine Halley) in that amount.
 - b. Amend, modify, or reject the above option.

Prepared by: Christine Halley, Water & Utility Consultant,
TJ Cross Engineers, Inc.

Attachments (1) - Resolution 09-xx

RESOLUTION NO. 09-xx

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
APPROPRIATING FUNDS AND AWARDING CONTRACTS TO
KENNEDY JENKS CONSULTANTS AND C. HALLEY OF TJ CROSS ENGINEERS
FOR PROFESSIONAL ENGINEERING SERVICES ASSOCIATED WITH THE
WASTEWATER RATE AND FACILITY CHARGE STUDY

WHEREAS, the City of Paso Robles owns and operates a trickling filter wastewater treatment plant at 3200 Sulfur Springs Road (WWTP); and

WHEREAS, the WWTP operates under a permit from the California Regional Water Quality Control Board under NPDES permit CA0047953; and

WHEREAS, the permit was renewed in May 2004 with more stringent discharge requirements than had been required in the past permit; and

WHEREAS, the construction of significant treatment process and equipment upgrades is required to meet the new permit requirements at a preliminary cost estimate in excess of \$50 million; and

WHEREAS, the 2006 Sewer Collection System Master Plan identified the need for lift station and other collection system upgrades to meet community needs through build-out, and;

WHEREAS, the current revenues into the City's Wastewater Fund are inadequate to fund the necessary system operations and improvements, and;

WHEREAS, a financial study of wastewater rates and facility charges is needed to identify an adequate level of revenues, and;

WHEREAS, because of their demonstrated depth of experience, understanding of the City's financial setting, and overall knowledge of Paso Robles' public works objectives, it would appear to be in the best interest of the City of Paso Robles and its wastewater users to retain the service of Kennedy Jenks Consultants and Mrs. Christine Halley of TJCross Engineers to provide Professional Engineering Services for the preparation of a wastewater rate study and facility charge evaluation at a cost not to exceed \$186,500 plus a contingency of \$18,500 for unforeseen study amendments.

THEREFORE, BE IT RESOLVED AS FOLLOWS:

SECTION 1. The City Council of the City of Paso Robles does approve a one time supplemental budget appropriation from the Waste Water Treatment Operating Fund in the amount of \$205,000 (\$186,500 plus \$18,500 contingency) to budget account 601-910-5224-683; and

SECTION 2. The City Council does hereby award a contract to Kennedy Jenks Consultants and Mrs. Christine Halley for Professional Engineering Services associated with the preparation of a wastewater rate study and facility charge evaluation and authorizes the City Manager to execute the contact.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 21st day of April 2009 by the following votes:

AYES:

NOES:

ABSTAIN:

ABSENT:

Duane Picanco, Mayor

ATTEST:

Cathy M. David, Deputy City Clerk