


TO: James L. App, City Manager
FROM: Doug Monn, Public Works Director 
SUBJECT: Wastewater Rate and Facility Charge Study
DATE: May 5, 2009

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

FACTS:

1. On April 21, 2009, City Council directed staff to bring back this item for Council consideration.
2. The City operates a 4.9 million gallon per day wastewater treatment plant that is 54 years old, in need of replacement due to obsolescence comply with State and Federal discharge requirements.
3. Ammonia, salts, and toxicity constituent discharge violations have occurred at various times resulting in nearly \$90,000 in fines over the last five (5) years. Presently a draft Cease & Desist Order is under review by the Regional Water Quality Review Board for possible issuance.
4. Regional Board issued Cease & Desist Orders establish specific time tables for corrective action. Failure to meet those time tables result in fines being levied grants held or canceled and can include prohibition of increased flow to the treatment plant (no building permits).
5. In addition to meeting mandatory discharge requirements; rehabilitation of the plant would stage the City for future water recycling as outlined in the City's Integrated Water Resource Plan.
6. On May 20, 2008, the City Council authorized the design of an upgrade to the wastewater treatment plant. A Draft Facilities Plan outlining necessary upgrades was published in January 2009.
7. 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 but must get a wastewater rate in place to secure financing.
8. In June 2006, the *Sewer Collection System Master Plan* 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 other areas to reliably meet existing customer needs. In all, approximately \$45 million in capital improvement projects were identified in addition to the treatment plant upgrade.
9. It has been five years since the City's wastewater rates and facility charges have been comprehensively evaluated. The current wastewater budget is:

Operations & Maintenance	\$4.5 million/yr
Debt Service (\$7.3 million outstanding)	\$332,000/yr

Capital Expenditures (varies by year)	\$6.55 million for FY 08/09
Wastewater Fund Reserves	\$12 million
Revenues from Wastewater Rates	\$4.7 million/yr

10. Current single family wastewater rates are less than \$26 per month flat rate; non-residential users pay proportional to water use. Current single family residential connection fees are \$5,147.

ANALYSIS &

CONCLUSION:

Current revenues into the Wastewater Fund are inadequate to fund the repair and replacement of enhancement of necessary system components. An updated wastewater needs assessment, rate and facility charge study are required to identify revenue requirements.

Kennedy/Jenks Consultants and TJCross Engineers (Mrs. Halley) recently completed the water rate study for Paso Robles. The rate firms of Kennedy/Jenks partnering with T.J. Cross were selected from a list of firms provided by the Concerned Citizen of Paso Robles as the primary contractor because of their superior skills, knowledge and experience with utility rate and fee studies. The information and experience gained in the water rate process specific to Paso Robles add to their superior qualifications. Retaining the same team for the wastewater rate and facility charge study most fully serves the interest of the rate payers.

The effort would be approached in the following manner:

Task	Combined Estimated Fee (labor and other direct costs)
Data collection; update capital improvement program; assess operations staffing; summarize all in operations & maintenance cost projection.	\$19,200
Capital facility charge analysis and asset inventory.	\$25,000
Develop a Revenue Plan to 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.	\$28,000
Examine alternatives for Rate Restructuring and Cost of Service. Include fixed/variable analyses in the alternatives evaluation. Evaluate unique customer classes.	\$29,800
Dialogue with public interest groups	\$10,400
Formulate recommendations for program cost recovery and associated fees/charges for the Industrial Waste Pretreatment and Fats Oils & Grease Programs; integrate into financial plan	\$10,000
Prepare various iterations of the financial planning for City consideration	\$26,400
Present findings in reports 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.	\$35,600
SUBTOTAL =	\$184,400
City-Controlled Contingencies =	\$20,600
TOTAL NOT-TO-EXCEED=	\$205,000

The wastewater user rate, facility charge study and Source Control permit program would be prepared over the coming year and will be integrated with the wastewater treatment plant design program as follows:

Initiate study	May 2009
Complete Source Control permit and maintenance fees	June 2009
Generate initial Revenue Plan, Rate Restructuring, and Cost of Service analyses	Sept 2009
Seek authorization to complete treatment plant design	Oct/Nov 2009
Dialogue with interest groups and iterations of financial planning	Oct 2009 to Jan 2010
Propose wastewater rates and fees	January 2010
Public dialogue, 218 process, etc.	Feb to May 2010
Seek adoption of proposed wastewater rates and fees	May 2010
Once rates adopted, qualify for State Revolving Fund or other project financing	after May 2010

While the financial and capital planning aspects of the proposed study could be performed within defined timeframes, the time required for dialogue with interest groups and to thoroughly explore options is less certain. For this reason work on the study needs to begin now.

POLICY

REFERENCE: Economic Strategy; Integrated Water Resource Plan.

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

- OPTIONS:**
- a. Adopt Resolution No. 09-xx appropriating \$205,000 from Wastewater 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 not to exceed that amount.
 - b. Amend, modify, or reject the above option.

Attachment: (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, the City must also establish permit costs and fees for a Source Control Program, 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 Mr. Roger Null 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 \$184,400 plus a contingency of \$20,600 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 (\$184,400 plus \$20,600 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 5th day of May 2009 by the following votes:

AYES:
NOES:
ABSTAIN:
ABSENT:

Duane Picanco, Mayor

ATTEST:

Cathy M. Davis, Deputy City Clerk