

SUBMITTED BY: Luis Pedroza, Management Services Director/City Treasurer

MANAGEMENT TEAM REVIEW: Ana Urquijo, City Manager

FOCUS AREA: Collaboration

ORGANIZATIONAL IMPROVEMENTS: EnterTextHere

SUBJECT: **AUTHORIZING** the entry into an AGREEMENT between the CITY of DOUGLAS and the ARIZONA DEPARTMENT OF CORRECTIONS, REHABILITATION AND REENTRY (ADCRR) for SEWER SERVICES.

EXECUTIVE SUMMARY:

The Sewer services agreement between the City of Douglas and Arizona Department of Corrections, Rehabilitation and Reentry (ADCRR) that began in June 2000 is now expired as of May 2021. ADCRR wishes to renew the agreement in order for the City to continue wastewater treatment services.

BACKGROUND:

ADCRR, who was previously known as Department of Corrections (DOC), partnered with the City in 1993 to build out a sewer main line from the prison's current location along Highway 191 that would connect to our wastewater treatment plant (WWTP) in the city located just west of Chino Road right on the US/Mexico border. ADCRR paid \$5.3 million in construction that included \$910,000 to expand our WWTP by also constructing a secondary clarifier. It was agreed that ADCRR would receive a credit on its monthly sewer bill until the \$910,000 was repaid back. ADCRR was billed a flat \$2,500 per month sewer that averaged to a \$3,671 monthly credit throughout the years.

In addition, the agreement stated that ADCRR would pay for any additional maintenance related to treatment of their wastewater. A lift station/bar screen was necessary to be able to convey wastewater and treat it at our WWTP. The city is to maintain the infrastructure while ADCRR would pay for the associated maintenance costs. The bar screen was deemed obsolete a few years ago and have had various mechanical issues. In October 2021, the bar screen was replaced at a cost of \$212,197.00 of which ADCRR agreed per the agreement to reimburse the city for the full amount. ADCRR also received credit for any other commercial or residential connections made into the sewer main line they built along Highway 191 based on a calculation of distance from the WWTP and flows treated. Since its construction, there were 5 connections made by commercial and residential structures that earned them a monthly credit averaging \$1.32 per month which were established at different points throughout the last 21 years.

The new proposed agreement has ADCRR pay the actual amount per our established commercial wastewater rates currently at a fixed \$150.00 per month amount plus \$8.50 per 100,000 gallons over \$300,000 gallons treated in one year. ADCRR averages about 7.9 million gallons of treatment per month that equates to an average monthly bill of \$7,425. ADCRR requested that the new fees be implemented in a tiered manner over the next 5 years, therefore the agreement has a \$1.00 increase each year over the next five years until hitting the current \$8.50 mark in 2025. The schedule will be as follows:

- a. 2021 - \$4.50 per 100,000 gallons over 300,000 gallons per year ~\$3,981/month
- b. 2022 - \$5.50 per 100,000 gallons over 300,000 gallons per year ~\$4,842/month
- c. 2023 - \$6.50 per 100,000 gallons over 300,000 gallons per year ~\$5,703/month
- d. 2024 - \$7.50 per 100,000 gallons over 300,000 gallons per year ~\$6,564/month
- e. 2025 - \$8.50 per 100,000 gallons over 300,000 gallons per year ~\$7,425/month
- f. *2026 - \$9.50 per 100,000 gallons over 300,000 gallons per year ~\$8,286/month

In 2026, the fees will be increased \$1.00 over the existing rates in order to compensate for the past 5 years amounts that were not charged to current rates. Until those amounts are paid back, the rates will revert back to normal established rates. ADCRR has also been notified of the intent to increase the sewer rates city wide therefore, if the

increased rates do take effect, the rates would increase as follows: 2021 - \$4.50, 2022 - \$5.72, 2023 - \$6.99, 2024 - \$8.31, 2025 - \$9.68, 2026 - \$11.34.

The agreement continues to charge ADCRR for maintenance of infrastructure that is strictly dedicated to their treatment of sewer, which includes the lift station/bar screen at actual costs. We have also eliminated the credits for any future connections made into the sewer main line, but must provide them a \$65.00 per month credit for two County buildings at BDI Airport that receive sewer service and their wastewater flows are being measured through ADCRR’s flow meter. Those two buildings will be billed separately by the City in the amount of \$65 per month that will recoup the credit to ADCRR. It is also understood that the City absorb responsibility of the entire length of the sewer main line that includes its repair and replacement, as it is customary to do with any other customers in the city. The city’s sewer infrastructure responsibility for ADCRR or any other customer is up to the property line of any building, thereafter inside the property it is the property owner’s responsibility to maintain. The length of the sewer main line that we absorbed is measured at 6.8 miles. A large portion of the charges must be realized to care for the future maintenance, repairs and replacement of this sewer line, as is the case for all of the sewer infrastructure in our city.

DISCUSSION:

ADCRR would like to continue to receive and pay for wastewater treatment services to serve their population. This agreement establishes current rates to be charged for the expense of treating wastewater produced by the prison over the established period. The new fees will help offset current maintenance and future maintenance and replacement costs of the infrastructure. The sewer line there is also important in having services available for any future development within this area that would benefit the city. Staff recommends entering into this agreement and continue to provide wastewater treatment services to ADCRR.

“...I MOVE THAT THE MAYOR AND COUNCIL APPROVE THE AGREEMENT BETWEEN THE CITY OF DOUGLAS AND THE ARIZONA DEPARTMENT OF CORRECTIONS, REHABILITATION AND REENTRY FOR CONTINUATION OF SEWER SERVICES.”

FISCAL IMPACT:

Additional annual revenue than what is currently received is calculated for the sewer fund as follows:

Year 1: \$17,772

Year 2: \$28,104

Year 3: \$38,436

Year 4: \$48,768

Year 5: \$59,100

Fiscal Year: 2021/2022

Amount Requested: \$

Budgeted: Y / N

Account (s):