



# City of Stevenson

Leana Kinley, City Administrator

Phone (509)427-5970  
FAX (509) 427-8202

7121 E Loop Road, PO Box 371  
Stevenson, Washington 98648

To: City Council  
From: Leana Kinley, City Administrator  
RE: 2022 Sewer Rates  
Meeting Date: November 18, 2021

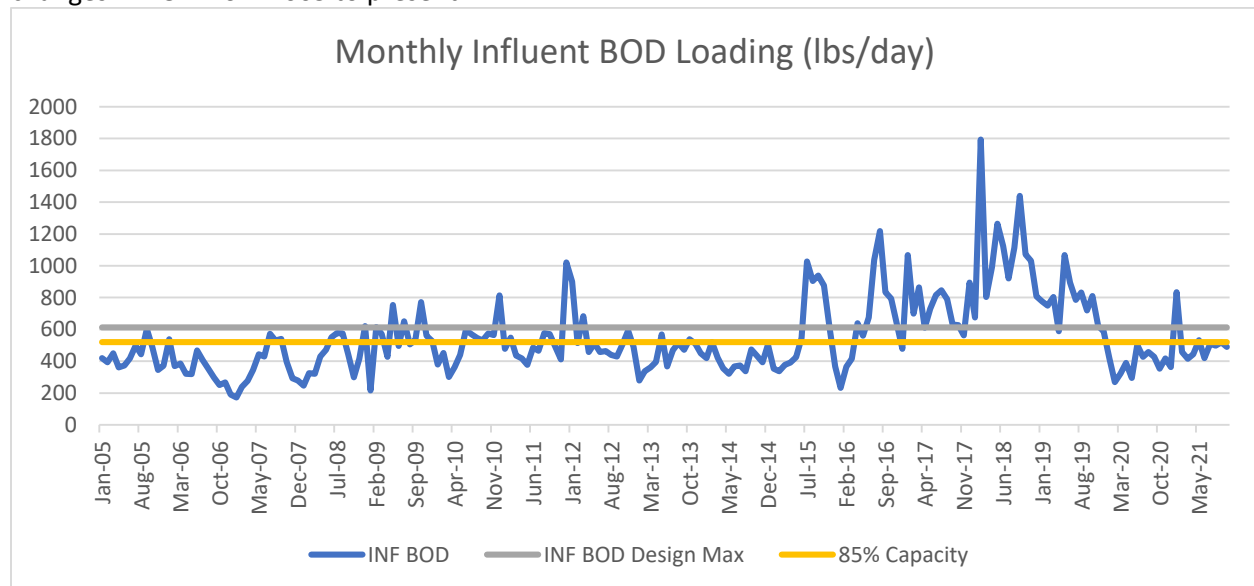
## **Executive Summary:**

The city received an Administrative Order from the Department of Ecology in 2017 requiring upgrades to its Wastewater Treatment Plant. Over the past four years there have been continuous rate analysis to balance the impact of rate increases on residents and the needs of the utility. Staff has worked diligently to increase efficiencies at the wastewater treatment plant, partner with customers to decrease loadings at the plant, and work with funders to maximize grants and long-term low interest loans. These efforts translate into a \$40 per month savings on the base residential sewer bill by the end of 2026. The result is a recommended increase of 12.5% for 2022, or \$11.25 per month.

## **Overview:**

### *Background*

The City has been working on compliance challenges relating to high Biochemical Oxygen Demand (BOD) coming into the plant (influent) since 2009. To address the issues the City made changes to operating procedures, minor upgrades to the plant, and worked with all users to reduce their impact on the plant. These efforts reduced the influent BOD, however it remained close to the 85% limit of the plant's design. Anytime the plant reaches 85% capacity for three months, or 95% capacity for one month, the City needs to submit a plan to Ecology addressing how it will maintain capacity while it implements actions to take to meet the conditions of its National Pollutant Discharge Elimination System (NPDES) permit. A copy of the most recent NPDES permit from 2013 is attached. The chart below shows the changes in BOD from 2005 to present.



Beginning in 2015 the city continually violated its NPDES permit for influent BOD capacity of 612 lbs/day on average per month. This continual violation, combined with effluent violations and not submitting a Plan to Maintain Adequate Capacity as required resulted in the city receiving an Administrative Order on June 30, 2017 from the Department of Ecology. The requirements outlined in the Order and the status of each item is listed below:

- Limit New Industrial Connections-
  - There remains a moratorium on new commercial connections where the effluent exceeds 300 mg/L.
- Promote Source Control-
  - The City adopted updates to its municipal code to Ecology standards on April 19, 2018, in time for the April 30, 2018 deadline.
  - The City completed an Industrial User Survey by June 30, 2018. Significant Industrial Users were identified and are currently under contract with the City to comply with discharge standards, or are working directly with Ecology through an NPDES permit.
- Explore Funding Opportunities-
  - The City has received the following funding packages to support the upgrades required of the Order. Details on these projects can be found online at <https://www.ci.stevenson.wa.us/projects>

	Budget	Loan	Forgivable Principal	Grant
WW Upgrades Design	2,000,000	960,000	400,000	
WW Collection System Upgrades	5,100,000	873,000		4,125,000
WW Treatment Plant Construction	9,600,000	8,700,000	900,000	2,500,000*
Main D Extension	300,000	270,000	30,000	
<b>Totals:</b>	<b>17,000,000</b>	<b>10,803,000</b>	<b>1,330,000</b>	<b>6,625,000</b>
Amount of Funding:	42% Grant and Forgivable Principal			
*\$2.5M direct federal grant from the recently approved Infrastructure Package to reduce the \$8.7M loan				
Loan terms:	DOE Loan 1: 2.0% interest, 20-years, \$61k est. annual payment DOE Loan 2: 1.5% interest, 30-years, \$375k est. annual payment USDA Loan: 1.375% interest, 40-years, \$29k est. annual payment			

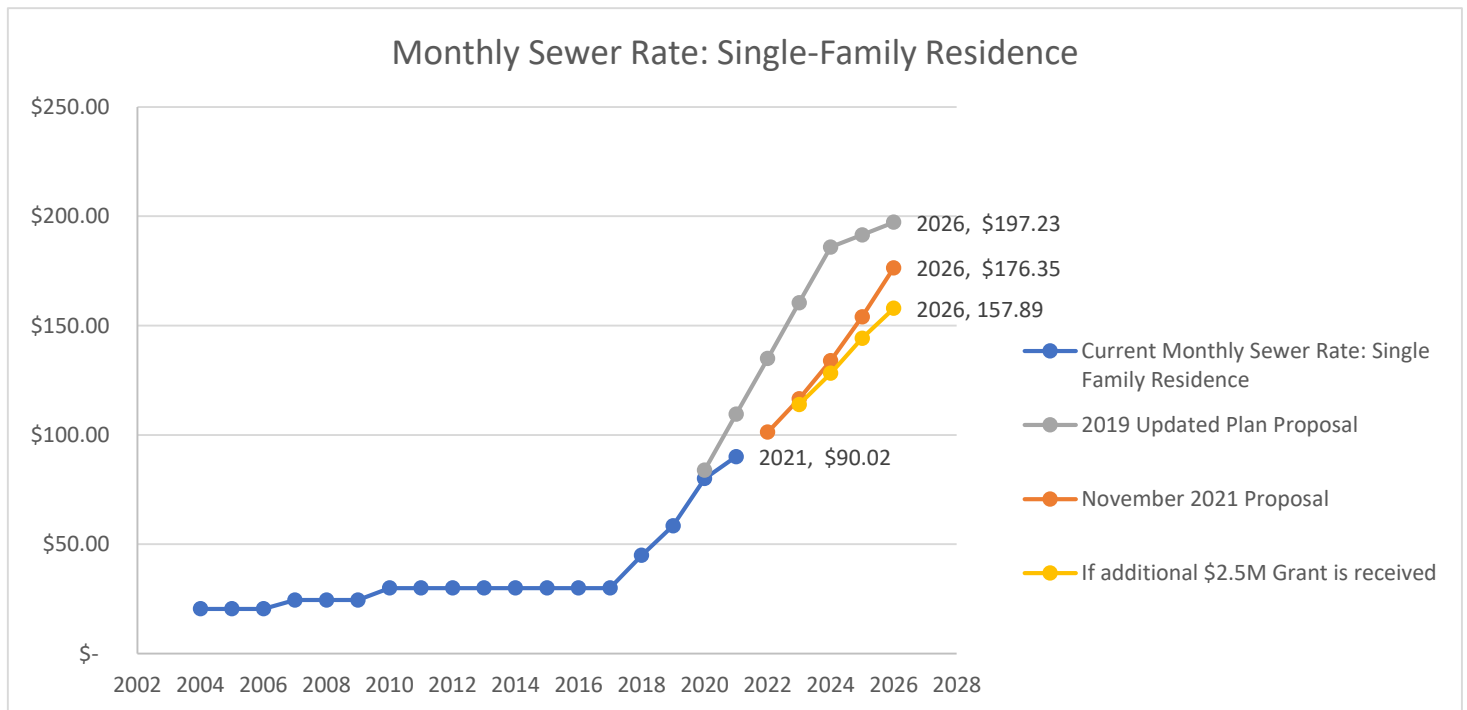
- Require Industrial Pretreatment-
  - The City’s ordinance has been updated and all new commercial connections are reviewed against the updated standards.
- Modify Wastewater Treatment Plant Operations-
  - The City added a Wastewater Treatment Plant Operator in 2018 to supplement the work of the contract operator Jacobs. The City and Jacobs did not renew the operating contract and in 2020 the City took over operations of the Plant.
  - Minor improvements have been made to assist with compliance while the larger upgrade project is being designed and constructed.
- Update Wastewater Rates-
  - Beginning in 2018, the City has steadily raised rates to fund the improvements required for the wastewater system. More information on this effort and background is in the next section of the memo.
- Complete General Sewer Plan Update –

- The City council approved the General Sewer Plan and Facility Plan on January 18, 2018 after it was approved by DOE on December 1, 2017.
- An update to the Plan, to incorporate a feasibility study on the outcome of value planning efforts, was approved by DOE on July 15, 2019.
- Design Wastewater Treatment Plant Improvements-
  - Design for the upgrades needed began in 2019 and were completed as of June 30, 2021.
- Construct Wastewater Treatment Plant Improvements-
  - Equipment with long lead times is in the process of being procured. The construction phase is expected to go to bid this winter with active construction beginning by next summer (2022). The estimated completion date is the summer/fall of 2023.

*Rate Increases*

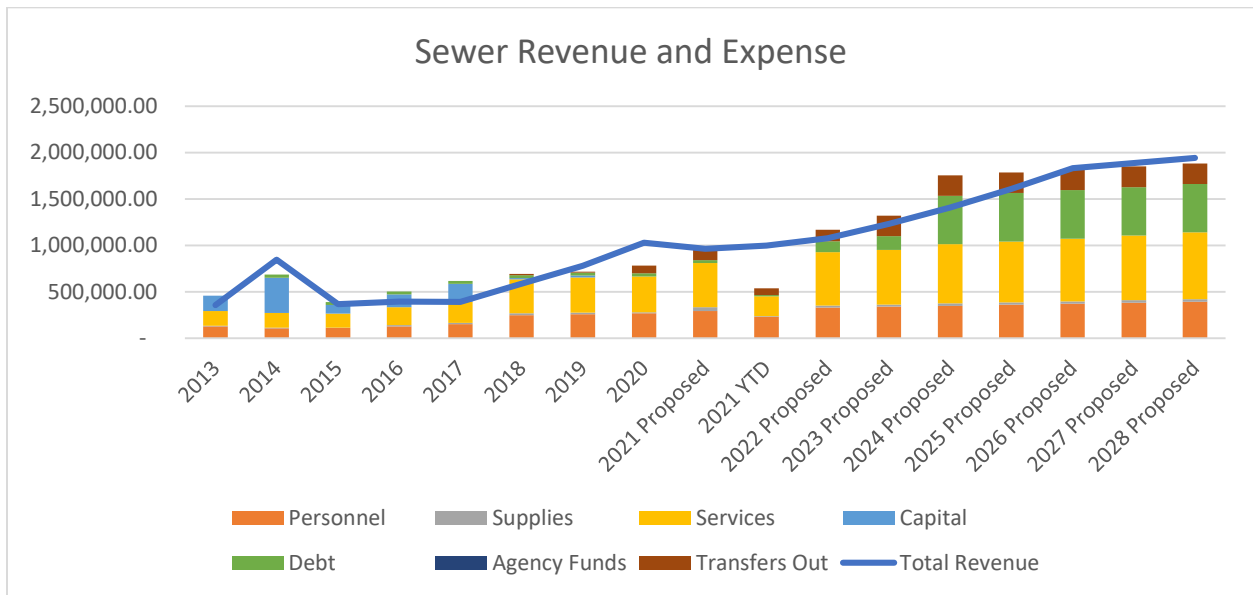
In 2017, as part of the General Sewer Plan and Wastewater Facilities Plan, the city conducted a rate study. It was updated in February 2019 based on changed assumptions. Since then, the city has taken over operations of the wastewater treatment plant where it was previously operated under a service contract. There have also been additional grants and financing secured. The designs for the wastewater treatment plant are 100% complete and other projects are between 50%-100% complete with more refined estimates. The result is a clearer picture of the future operations and maintenance needs and the rates necessary to ensure the financial viability of the utility.

A chart of the historic rates and projected rates from the recent rate study are below.



Overall, the estimated annual debt service has been reduced by almost \$560k through grants received, reduced design costs and design changes. This reduction translates to \$40 per month in savings on a residential sewer bill by the end of 2026.

The 2022 proposed revenue and expenses for the sewer department are below. The current 12.5% rate increase proposed will bring in enough revenue to replenish reserves and cover the expenses and ensure future increases will not be as high as initially estimated.



The city will continue to work on refining the operations costs, secure a finance package for construction of the wastewater treatment plant, and determine an adequate level of capital reserves. These will be incorporated into next year's rate study where we hope to have a longer-term forecast for future rates.

**Action Needed:**

Motion to approve ordinance 2021-1178 revising the sewer rates. Or no motion and the item will move to a second reading at the December council meeting.