



City of Nampa

Wastewater Treatment and Disposal Upgrade

Industry Working Group

Meeting #6 Summary

April 26, 2012 ♦ 9 – 11 a.m.
Nampa Civic Center
311 3rd Street South
Nampa, Idaho 83651



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Overview

The City of Nampa must implement an extensive program to upgrade its treatment and disposal of wastewater in order to meet upcoming National Pollutant Discharge Elimination System (NPDES) permit requirements.

Over the past two years the City has been working with a group of representatives from Nampa's major industries to gather input about how to best upgrade Nampa's wastewater treatment and disposal system.

In addition to upgrading the wastewater system, Nampa would like to develop comprehensive policies regarding industrial connection fees for wastewater capacity reservation. The City would like to develop these policies with input from the Industry Working Group.

The Industry Working Group meetings will work with the City of Nampa to develop these comprehensive policies. The goals of the process are to develop policies that are:

- Complimentary with Nampa's economic development strategy;
- An incentive for industrial development and existing industry expansion; and
- Designed to maintain the financial integrity of the wastewater fund.

Meeting Agenda and Format

The City of Nampa hosted the sixth Industry Working Group meeting on Thursday, April 26, 2012 at the Nampa Civic Center. This was the first time the Industry Working Group met to discuss comprehensive industrial wastewater policies.

The meeting objectives were to:

- Discuss the need for comprehensive industrial wastewater policies regarding capacity reservation.
- Present an overview of industrial capacity reservation policy concepts and practices.
- Suggest next steps for the policy process.

Agenda:

- Welcome and opening remarks – Michael Fuss, Director of Public Works, City of Nampa
- Housekeeping – Rosemary Curtin, Public Involvement Consultant, RBCI
- Need for comprehensive industrial wastewater policies regarding capacity reservation – Bill Jarocki, Public Policy and Economic Consultant, Voltaic Solutions
- Policy and practice concepts to consider – Bill Jarocki, Voltaic Solutions
- Open discussion with Industry Working Group members

- Next Steps – Rosemary Curtin, RBCI

The following handouts were provided:

- Agenda for Industry Working Group Meeting #6 (Policy Meeting #1)
- PowerPoint presentation
- Comment form

Meeting Attendees

Representatives from the largest industries in Nampa were invited to participate in the Industry Working Group. Seven members attended the meeting.

- Shane Brown, Micron
- Steve Cordova, Great American Appetizer
- Eric Erickson, Amalgamated Sugar Company
- Melanie Miller, Lower Boise Watershed Council
- Glen Patrick, Amalgamated Sugar Company
- Noel Wing, J.R. Simplot Company
- Steve Youngblood, ABC Sanitation

Staff

- Michael Fuss, City of Nampa Public Works Director
- Greg Pearce, City of Nampa Wastewater Superintendent
- Cliff Long, City of Nampa Economic Development Director
- Bill Jarocki, Voltaic Solutions
- Steve Burgos, Brown and Caldwell
- Rosemary Curtin, RBCI
- Kara Veit, RBCI

Summary of Presentations

Welcome and thank you – Michael Fuss, Director of Public Works, City of Nampa

Michael Fuss welcomed and thanked the Industry Working Group (IWG) members for attending the meeting. He expressed his appreciation for the insights and information the group has provided over the past few years for Nampa's wastewater upgrade process. Michael's opening remarks included the following information:

- In addition to upgrading Nampa's wastewater treatment and disposal system, the City wants to clarify its policies on industrial hookup fees and new connections and/or existing connections. This is part of the overall program and has the potential to impact the industrial customers more than standard residential customers.
- During the next few Industry Working Group meetings, the group will be discussing comprehensive industrial wastewater policies.
- The hookup fees will be part of the cost of service study for the wastewater upgrade. How these fees are presented, charged and paid for will factor into the cost of service study (analysis of what it costs to provide services and what customers should pay for services).
- The City wants to bring together industry and discuss hook-up fee policies up-front before conducting the cost of service study.
- Currently, Nampa does not have standard, documented policies regarding industrial hook-up fees. A number of new industrial customers may come to Nampa in the future. When these industries come, it will benefit everyone for the City to have clear, established policies about wastewater connection and capacity.
- The City is working with Bill Jarocki, a consultant that specializes in public policy development and economics, to help with this process. Bill has been involved with the City's wastewater upgrade process. He is a great resource who understands what needs to be done and will be helpful in bridging the gap between industry and the City. As an outside consultant, Bill will help the City develop and document policies that will benefit the City and industry.
- The main reason the City wants to have documented policies is to ensure stability and predictability. Existing customers need to know what could impact them and new customers will want to know how much they will have to pay for sewer connections.
- The goal of this process is to develop standard policies regarding operating procedures. In addition to the policies that will be developed, there will probably still need to be a negotiation component and economic incentive factors.
- Cliff Long is the economic development director for the City of Nampa and he will be involved with these policy discussions.

Housekeeping – Rosemary Curtin, Public Involvement Consultant, RBCI

Rosemary Curtin thanked all the IWG members for attending the meeting and reviewed all the meeting handouts. Rosemary also reviewed the following housekeeping issues:

- The meeting is being recorded in order to accurately record questions and help with the development of the meeting summary.
- Summaries of the past IWG meetings have been developed and are available on Nampa's wastewater upgrade website www.cityofnampa.us/wastewater/.
- IWG members have been provided comment forms. The purpose of the comment forms is to gather all questions, comments and input on the information begin presented today. Gathering input from everyone is a very important part of the working group process.

Need for comprehensive industrial wastewater policies regarding capacity reservation – Bill Jarocki, Public Policy and Economics Consultant, Voltaic Solutions

Bill introduced himself and explained he has been involved with municipality public policy for over 35 years and he is happy to have the opportunity to bring his experience to this process. Bill began the discussion with an introduction of government accounting and the need for comprehensive wastewater policies. His presentation included the following information:

- The process of developing public policy usually begins when a problem arises and becomes an important enough issue that it must be addressed. Ideas to solve the particular problem are then generated and implemented. These ideas are usually contributed by interested stakeholders.
- Once a public policy is adopted by a government body, it should be evaluated to see if it works. Unfortunately, this last step of evaluating the policy is rarely performed by governing bodies.
- Rather than developing new policy, this process may be more about policy revision. The Industry Working Group will be working to pull all of the “little pieces” together, clean it up, document it and make it fit for the City of Nampa.
- Developing clear policies and documenting them accurately is very important as the City moves forward with upgrading its wastewater treatment system. Input from industry will be essential to whether or not Nampa has good policies moving forward.
- The goal of this process will be to recommend a body of ideas and concepts that the Industry Working Group thinks would be good for the City and economic development. These recommendations along with others will be presented to the City Council. Whether the City Council decides to adopt the policies or not is entirely up to the group.
- We could do nothing related to policy and everybody could just guess what the City wants. In this case, industry could go to the City Council and staff and craft a one-off

agreement about paying for connection charges. However, having certainty, stability, and predictability in the process is a good thing for existing and new industries.

- For this process, the term “hook-up fee” will be supplanted by the term “capacity reservation.” The idea is that an industry has acquired the ability to discharge into the plant. The industry wants to be certain it has the ability to discharge to ensure stability for the organization. Stability and predictability is good for existing industry and new industries that may come to Nampa in the future.
- This process will look at how to develop capacity reservation policies that complement the economic development strategy for the City. The Industry Working Group will be discussing ideas about what makes certain policies attractive to industries that want to expand and what is attractive to a company that may want to establish their operations in Nampa.
- Economic development should be a major consideration when developing comprehensive industrial policies for capacity reservation. The policies should be an incentive for new businesses to expand or come to Nampa. Economic development doesn’t mean just new customers coming in; it also could mean accommodating existing customers that want to expand.
- Another factor that will need to be considered is the ability to maintain the financial integrity of the sewer fund. The sewer fund needs to have resources to build and expand the wastewater facilities over time so the City can service more customers in the future.
- From a government accounting perspective, wastewater and economic development are two separate municipal activities handled in two separate funds. Revenue from economic development activity goes into the general fund. If a new business were to come to Nampa it would pay property taxes. The money from property taxes would not go in the sewer fund, it would go into the general fund to support property tax-related services such as police, fire, parks and recreation.
- The sewer fund is not supposed to receive revenue from the general fund. The sewer fund is a separate enterprise fund that receives its revenue from rates, the connection charges it gets, interest on funds on deposit and other wastewater-related activities. The money generated from wastewater-related fees should be spent only on wastewater-related services.
- The sewer fund is run like a business. When the sewer fund needs more revenue to pay for capital improvements, the City will have to increase the rates for those who use the services. If economic activity comes from a new business hooking up to the wastewater plant, it is debatable whether or not the general fund should contribute some of that money to the sewer fund. This is one of the policies that the Industry Working Group will be discussing during this process.
- The wastewater from industries in Nampa goes to the City’s plant to be treated and discharged, which creates an “indirect” discharge effect. It is complicated and expensive for every industry to have its own NPDES discharge permit with the EPA. The EPA has

found that industries that discharge with their own permit have more violations than those that discharge indirectly through the City.

- Nampa's wastewater plant must have a certain amount of capacity to serve existing customers and should have excess capacity to serve new customers. The existing customers pay for both.
- When the level of use for the capacity of the plant hits 85 percent, the plant should be expanded. The Idaho DEQ requires this as part of Nampa's facility plan. It should be noted that the upgrades that Nampa is currently planning are not due to reaching capacity, they are being made to meet increasingly stringent regulatory requirements.
- The customers pay for the whole system, including the excess capacity. The connection fee issue comes up when the plant needs to expand. If a new industry comes in, and they want a block of the excess capacity should the new customer get that capacity for free? It has been paid for by the existing customers. Or as a matter of policy, should the new business pay for that portion of the excess capacity that was established and paid by the wastewater customers? Should the new business reimburse the customers who have been paying for excess capacity all along? This is a policy question.
- Another issue that needs to be considered is, if the new industry is required to pay for the excess capacity, how much should they have to pay for it?
- If you charge the new industry for excess capacity, the City could use those dollars to plan for and build an expanded plant that has excess capacity for the next new business. The new customer has not paid in yet. The new customer should pay in such that resources are available to expand the plant in the future.
- The acquisition cost of excess capacity can be calculated using several different methodologies. One methodology would be to calculate the rates based on projected costs of expanding the plant. A second methodology would be to calculate based on the depreciation of the plant.
- If a new industry comes to town, the money that they pay into buying capacity should be reserved for the expansion of the plant or be used as a down payment for the next bond issue needed to capitalize the investment.
- The acquisition cost of excess capacity could have the potential to impede new business from coming to Nampa. In surveys, industries say that they make economic expansion decisions based on multiple factors but money is not typically one of them. However, when it comes down to negotiations with a specific city, connection fees and rates are almost always the top priority.
- The City has an interest in the relationship between the wastewater plant and the ability to serve customers. The wastewater facility could be a tool for economic expansion and the City's economic development strategy.

- Nampa wants a stable wastewater facility that is dynamic enough to serve new customers. In order to accomplish this, Nampa must be proactive, know what the limits are and know what needs to be done to meet permit requirements.
- Economic development doesn't mean just new customers coming in; it also could mean existing customers that want to expand, so the City can accommodate this expansion.
- Nampa's goal is to use as much capacity and serve as many customers as possible.
- In exchange for incentivizing wastewater services, the City could make requests from the new/expanding industries (e.g., certain amount of jobs, amount each job pays, planning and zoning requirement, environmental/green performance).
- Developing comprehensive policies will allow the City to give industries:
 - Continued access to the indirect discharging benefit provided by Nampa (stability);
 - Predictable availability of service; and
 - Predictable cost of service.

Policy and practice concepts to consider – Bill Jarocki

The Industry Working Group will work with the City of Nampa to develop these comprehensive policies. The goals of the process are to develop policies that compliment Nampa's economic development strategy. The policies should act as an incentive for industrial development and existing industry expansion and be designed to maintain the financial integrity of the sewer fund.

Bill presented the following information about the policy incentives that will be discussed throughout this process:

- The City is considering the following capacity reservation policies:
 - 1) Loans of excess capacity – The City would give new and/or expanding industries a certain amount of capacity, but the industry wouldn't own it permanently. If the wastewater treatment plant reaches the level of 85 percent capacity, the City could take the loaned excess capacity back from the industry. The City would get the benefit of the economic activity and there would be no cost to industry. However, there would be some risk to industry because their ability to discharge could be interrupted if the City had to take the loaned capacity back.
 - 2) Purchase of excess capacity – The City would calculate how much it would cost for the new/expanding industry to reserve capacity at the wastewater plant. The industry would buy its needed capacity from the City and basically obtain a property right to the capacity. Outright purchase of being able to discharge into the plant would guarantee industry the stability and predictability of being able to discharge into the plant. If the industry did not use the capacity that it purchased, the City, as a matter

- of policy, could charge the industry a “holding fee” for not using the capacity that it bought.
- 3) Lease purchase – This policy would be a hybrid of the loan and purchase policies. The industry would make monthly payments and accumulate the property right to the capacity over a specified amount of time. If the industry were to move out of town or shut down, it would have right to only the amount of capacity that has been paid for.
 - 4) Tax abatement – If an industry were to come to Nampa, the City would rebate some portion or all property taxes that the business would otherwise pay to the general fund. The industry could keep the property taxes which would offset the charge of buying or leasing capacity reservations.
 - 5) Transferability of previously purchased capacity reservations – If an industry were to move from one facility to another within Nampa it could transfer a portion or all of its capacity.
 - 6) Pretreatment – If pretreatment benefits the wastewater plant because it maintains capacity and reduces the loading, should the company pay, should the City pay or should it be a shared item? Can the City establish a voluntary environmental improvement bond program with favorable terms that the City extends to industrial customers for purchasing pretreatment facilities? Once established, who should operate the pretreatment facilities?
 - As a matter of principle and precedence, Nampa already has some of these practices in place. The intention of the Industry Working Group process is to document policies and add or change any needed information.
 - A cost of service study needs to be developed for the wastewater upgrade process. The City is trying to get some of the policies established so that these policies can be incorporated in the cost of service already being conducted. The cost of service study will determine Nampa’s sewer rate increase that will happen late this summer.
 - The Council has made the decision to authorize the Phase 1 improvements. These improvements will require an increase of approximately \$26.8 million in capital. The question of who should pay still needs to be answered.

Open discussion with Industry Working Group members

An open discussion was held so Industry Working Group members could share their thoughts and opinions about the policy information presented. Members were asked to give input about how they think the policy process should move forward. Below is a summary of the outcomes of this discussion:

- Industry Working Group members requested that the City provide examples of policies from comparable cities. The majority of members felt that it would be helpful to have examples of policies and/or case studies of what other cities have implemented. They also requested evaluation studies of such policies if available.
- Some members commented that if other cities already have policies that work well, Nampa could follow these as an example (i.e., there is no reason to “rebuild the wheel”).
- It was originally anticipated that Industry Working Group members would begin looking at potential policies at the next meeting. To meet the Industry Working Group’s request for policy information from other cities, an interim step will be added to this process. The meeting participants agreed that they would be willing to commit time to hold an extra meeting.
- Bill Jarocki will research the policy information requested by the Industry Working Group. The next meeting will focus on reviewing and discussing examples of policies from other cities.

Questions

- **At 85 percent capacity do you start planning or do you start expanding?**
The full requirement is that Nampa must have a facility plan that demonstrates to the DEQ that it plans to expand the plant. Otherwise, a moratorium on growth could be put on the City until it shows it can effectively meet the anticipated growth in wastewater discharges.
- **In Simplot’s position, we are planning to close the factory in a few years. How should Simplot pay for capacity that it isn’t going to use?**
We’ll talk about those ideas as this process proceeds. This is certainly one of the major policy issues for consideration.
- **What percent of the funding for the wastewater treatment plant is commercial versus residential?**
Twenty-eight percent of the sewer fund revenue is from industrial customers.
- **What percent of the capacity is commercial versus residential?**
This varies by constituent, but it is generally 25 to 30 percent of the capacity is industrial.
- **What constitutes industrial versus commercial?**
The distinction has to do with the loadings the dischargers waste stream. Generally, a commercial customer has a discharge of similar flow and strength to a residential customer. An industrial discharger can have variable flows but their loading is typically higher than a residential customer. There is also a tie to a dischargers Standard Industrial Classification (SIC) code on whether they fall into an industrial discharger class.
- **Have you looked at another city this size? And if you have, will that information be available to the Industry Working Group members?**

Bill Jarocki has done initial research, and based on today's meeting we will know what policies to focus on. It was the City's interest to not copy what another city is doing; we wanted to make the policies unique to fit Nampa's unique characteristics. However, we will be drawing on policies from other cities when developing the policies for Nampa to avoid reinventing the wheel. This information will be presented to the Industry Working Group at the next meeting.

- **Would the City sponsor someone if they came in with a pretreatment plan?**
That is the type of policy question that we need to address through this process.

Next steps – Rosemary Curtin, RBCI

- Between now and the next meeting, the Program Management Team will conduct research on wastewater policies in other cities and present this information at the next Industry Working Group meeting.
- It was anticipated the next Industry Working Group meeting (#7) would be held on Monday, May 14. In order to complete the policy research that Industry Working Group members have requested, this meeting date will change. Industry Working Group members will be notified of the confirmed meeting date and time within the next few weeks.
- The goal of this process is to present the Industry Working Group's policy recommendations to the Nampa City Council by the mid-June. This timeline gives the group time to gather information and conduct discussion.
- This will be an iterative process. After the policies are developed, they will continue to be reviewed and evaluated to determine if the outcomes are as intended.
- A meeting summary will be developed and emailed to all the Industry Working Group members within the next few weeks. The PowerPoint presentation will be included in this email.
- After receiving the summary, Industry Working Group members will have five days to submit comments about any changes that need to be made to the policy considerations. If no comments are received the Program Management Team will proceed with the information as it was presented today.
- Please fill out and return your comment forms to Kate Nice at RBCI. You can email comments to kate@rbc.net or mail your comment form to 1945 Wildwood, Boise, ID 83713.