City of Nampa
Special Council Meeting
June 4, 2018
5:00 PM

Call to Order

Roll Call

Proposed Amendments to Agenda
Any Items Added Less Than 48 Hours Prior to the Meeting Are Added by Council Motion at This Time

Cost of Service Rate Study Presentation

1) General Discussion on Rate Study Methodology
2) Wastewater Cost of Service
   a) Direction on the following:
      - Revenue Requirement Options
      - Cost of Service Options
      - Hookup Fees
3) Water Cost of Service
   a) Direction on Rate Movement

4) Monthly Billing (Domestic Water, Wastewater, Trash)
   a) Costs/Impacts
   b) Direction on Change of Billing from Bi-Monthly to Monthly Billing Cycle

5) **Action Item:** Authorize Advertisement of Public Hearing on Monday July 16, 2018, to Present Recommended Increases to Various Wastewater and Water Rates, Fees, and Charges

6) Fiscal Year 2018 Idaho Department of Environmental Quality (IDEQ) State Revolving Fund (SRF) Loan ($5M)
   a) **Action Item:** Pursue Fiscal Year $5M IDEQ SRF Loan at 2.75%

Adjourn

Next Meeting

Regular Council at 6:30 p.m. – Monday, June 4, 2018 - City Council Chambers

---

♦ Individuals, who require language interpretation or special assistance to accommodate physical, vision, hearing impairments, please contact the City Clerk's Office at Nampa City Hall, (208) 468-5426. Requests should be made at least five (5) days prior to the meeting to allow time to arrange accommodations

Wastewater & Water Rate Studies

Special Meeting of the City Council

June 4, 2018

NAMPA Proud

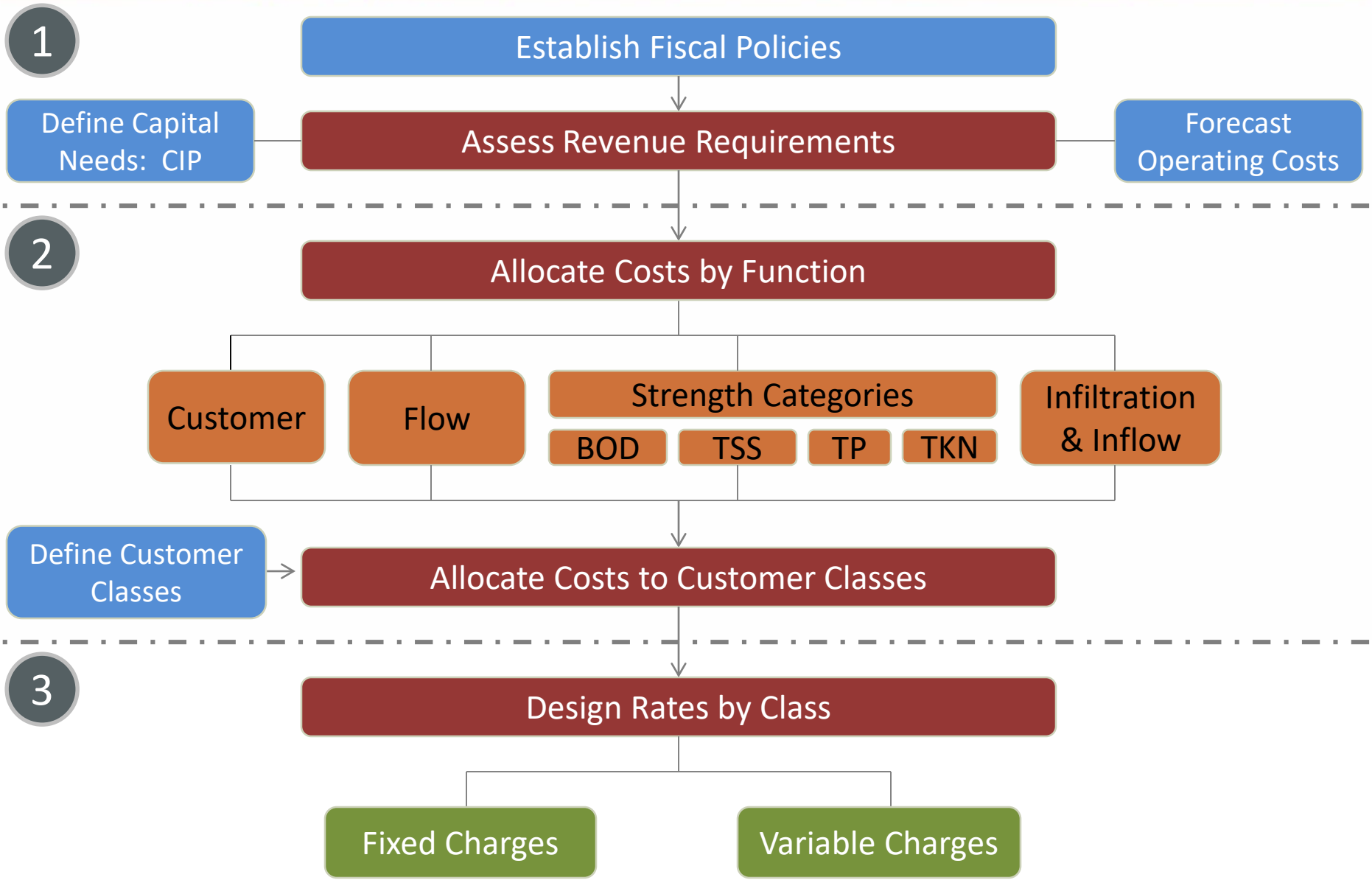
City of Nampa
Wastewater Division
www.cityofnampa.us/wastewater

Today's Objectives

- Rate Study Methodology
- Rate Study Results
  - Wastewater Cost-of-Service Rate Study
    - Revenue Requirement Options
    - Cost-of-Service Options
    - Hookup Fee Check-in
  - Water
    - Revenue Requirement
  - Impact of Possible Move to Monthly Billing

NAMPA
IDAHO

Rate Study Methodology

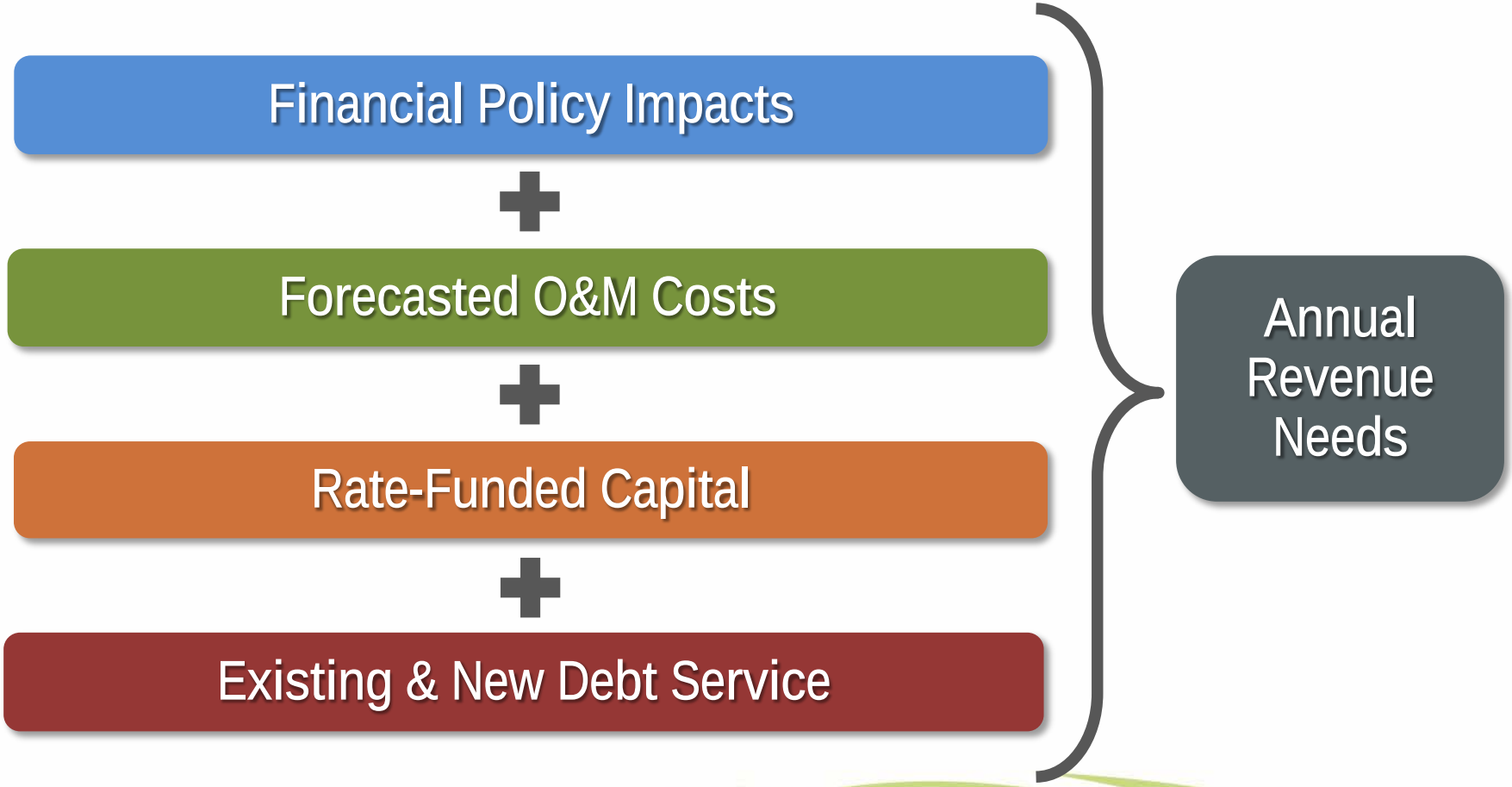


Revenue Requirement Overview

- Determines the amount of annual revenue necessary to meet all utility financial obligations
- Evaluates sufficiency of current rates on a standalone basis
- Develops annual rate adjustment strategy
  - Multi-year financial plan

NAMPA
IDAHO

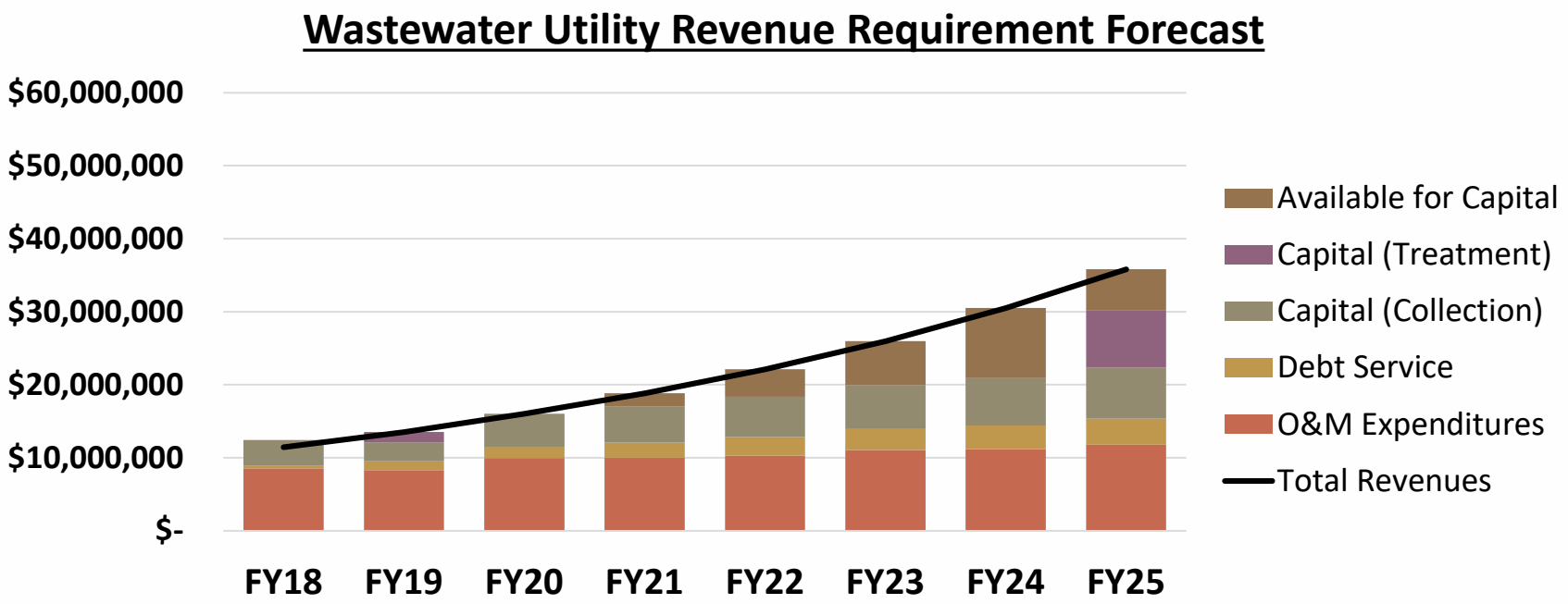
How Much Revenue is Needed?



NAMPA
IDAHO

Scenario A: Series of 15.5% Increases

(Reflects actual low-interest loan rate of 1.68%)



	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Annual Rate Increase	0.00%	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%
Average Monthly Residential Bill[1]	$24.47	$28.23	$32.60	$37.67	$43.55	$50.26	$58.07	$67.10
1.5% Median Monthly Household Income[2]	$51.51	$51.51	$51.51	$51.51	$51.51	$51.51	$51.51	$51.51

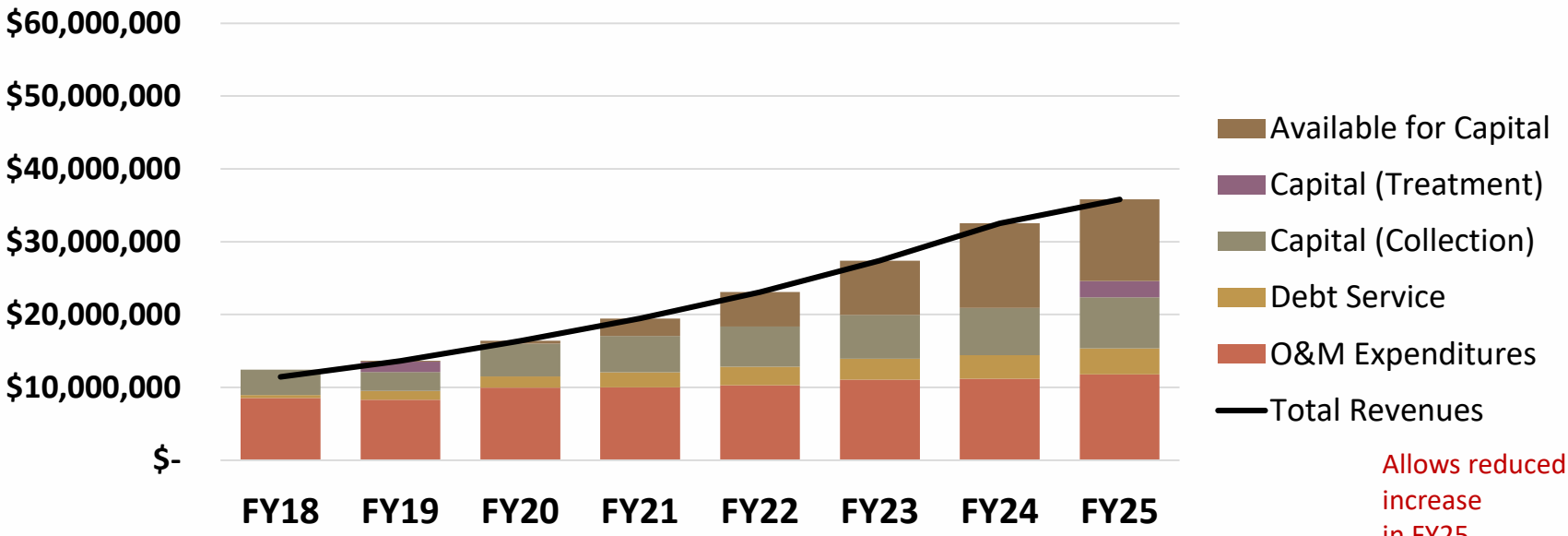
[1]Bills shown do not reflect findings from the cost-of-service analysis.

[2]Based on 2016 MHI of $41,210.

NAMPA
IDAHO

Scenario B: Series of 16.75% Increases

(Reflects published rate increase, but takes advantage of 1.68% loan interest rate in FY 2025)



Allows reduced increase in FY25

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Annual Rate Increase	0.00%	16.75%	16.75%	16.75%	16.75%	16.75%	16.75%	8.28%
Average Monthly Residential Bill[1]	$24.47	$28.54	$33.31	$38.90	$45.40	$53.02	$61.87	$66.96
1.5% Median Monthly Household Income[2]	$51.51	$51.51	$51.51	$51.51	$51.51	$51.51	$51.51	$51.51

[1]Bills shown do not reflect findings from the cost-of-service analysis.
[2]Based on 2016 MHI of $41,210.

NAMPA
IDAHO

Question #1: Revenue Requirements

- Which revenue strategy does the Council prefer?
  - Scenario A: 15.5% Annual Increases
  - Scenario B: 16.75% Annual Increases

- Staff recommendation: Scenario B
  - Mitigates risk of not receiving all anticipated SRF loan funding (annual appropriations)

Role of Cost-of-Service Analysis

- Allocates the revenue requirement among customer classes
  - Based on the demand each class places on the system
- An equitable distribution of costs can consider:
  - Measures of volume and demand (levels and patterns)
  - Planning, engineering, and design criteria
  - Facility requirements (pumping, treatment, etc.)
- End result
  - Allocated cost by class
  - Unit costs ($ per customer/unit of usage)

Elements of Cost-of-Service Analysis

Define Utility Functions

- Measures of use/demand
- Planning and design criteria

Allocate Costs to Functions

- Based on engineering data/industry standards
- Informed by allocation of system assets

Define Customer Classes

- Consider meaningful differences in usage patterns and service characteristics

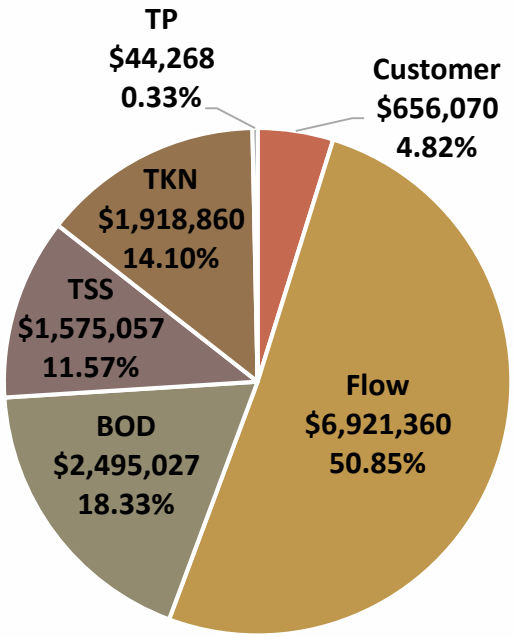
Allocate Costs to Customers

- Define each customer class' equitable share of costs
- Unit costs can inform rate structure modifications

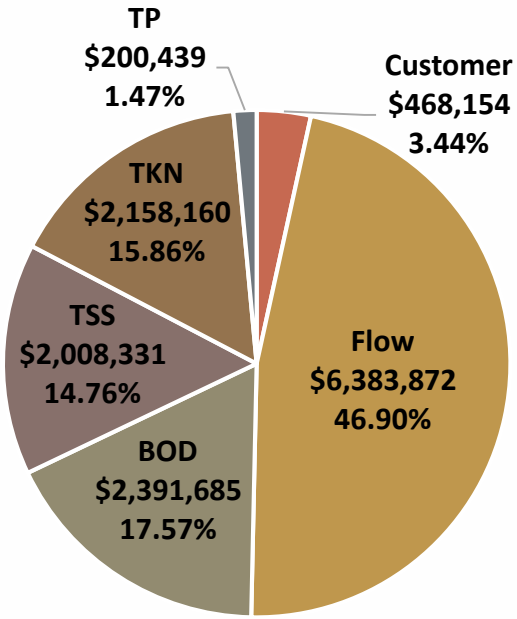
NAMPA

Functional Allocation of FY 2019 Revenue Requirement

Allocation Used in Current Rates



Updated Allocation



Current analysis indicates a shift in cost allocation toward treatment-related functions, especially phosphorus removal

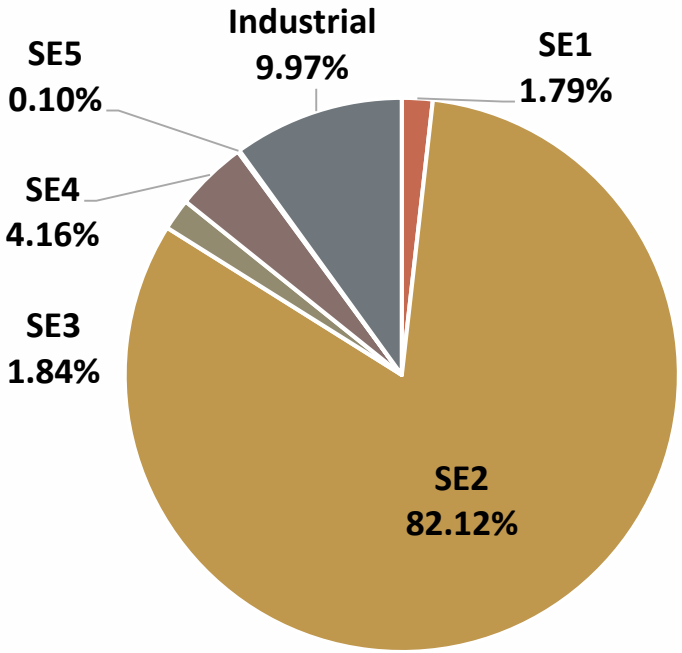
NAMPA
IDAHO

Customer Class Definitions

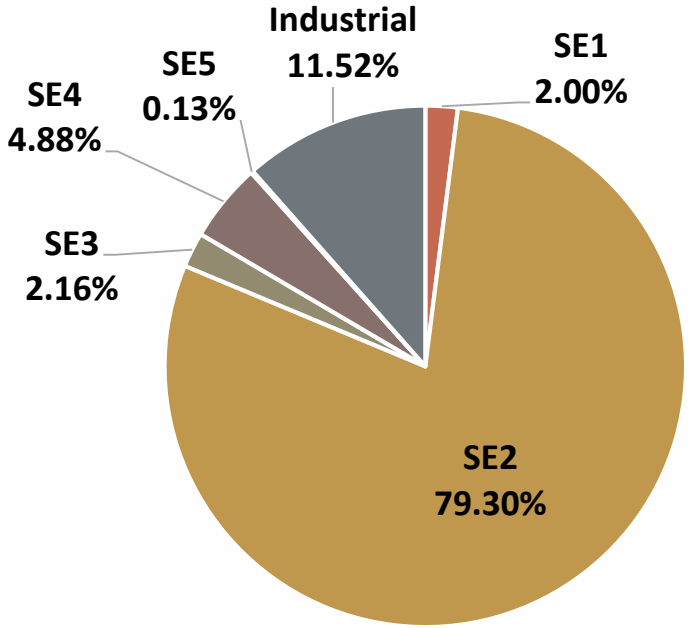
Customer Class	Example Customer Types	# of Accounts
SE1 (BOD: 0 – 200 mg/L)	Laundromats & car washes	29
SE2 (BOD: 200 – 400 mg/L)	Residential & retail stores	27,302
SE3 (BOD: 400 – 600 mg/L)	Hospitals and daycares	66
SE4 (BOD: 600 – 800 mg/L)	Restaurants	155
SE5 (BOD: 800 – 1,000 mg/L)	Other non-residential	1
SE6 (BOD: 1,000 – 1,500 mg/L)	None currently	None
SE7 (BOD: 1,500 – 2,000 mg/L)	Special permit	None
Industrial	Large industrial users	9

Customer Class Allocation

Allocation Under Current Rates



Allocated Cost of Service



Current analysis indicates a shift in cost recovery from SE2 (residential / retail) to non-residential / industrial users

NAMPA
IDAHO

Rate Alternatives Summary

	Existing Rates (2018)	2019 COS Rates (Scenario A: 15.50% Rev. Inc.)			2019 COS Rates (Scenario B: 16.75% Rev. Inc.)		
		Full COS	2-Year Phase-In	5-Year Phase-In	Full COS	2-Year Phase-In	5-Year Phase-In
All Customers Except Industrial Users:							
Monthly Base Rate (per Account)	$7.60	$8.47	$8.62	$8.71	$8.56	$8.72	$8.81
Volume Rates (per ccf of Water Use)							
SE1 (BOD: 0 – 200 mg/L)	$1.94	$2.51	$2.37	$2.29	$2.53	$2.40	$2.32
SE2 (BOD: 200 – 400 mg/L)	$2.41	$2.69	$2.74	$2.76	$2.72	$2.77	$2.79
SE3 (BOD: 400 – 600 mg/L)	$3.12	$4.25	$3.93	$3.73	$4.30	$3.97	$3.77
SE4 (BOD: 600 – 800 mg/L)	$3.66	$4.98	$4.61	$4.38	$5.04	$4.66	$4.43
SE5 (BOD: 800 – 1,000 mg/L)	$4.52	$6.51	$5.86	$5.48	$6.58	$5.93	$5.54
SE6 (BOD: 1,000 – 1,500 mg/L)	$5.35	$8.05	$7.17	$6.64	$8.14	$7.24	$6.71
SE7 (BOD: 1,500 – 2,000 mg/L)	$6.48	$9.96	$8.76	$8.04	$10.07	$8.85	$8.13
Industrial User Rates:							
per Million Gallons of Flow	$2,374.99	$2,454.94	$2,599.03	$2,685.48	$2,481.53	$2,627.16	$2,714.55
per Pound of BOD	$0.210	$0.320	$0.281	$0.258	$0.324	$0.284	$0.261
per Pound of TSS	$0.170	$0.283	$0.240	$0.214	$0.286	$0.242	$0.216
per Pound of TKN	$1.450	$2.246	$1.960	$1.789	$2.270	$1.982	$1.808
per Pound of TP	$0.150	$0.992	$0.582	$0.337	$1.002	$0.589	$0.341

NAMPA
IDAHO

Sample 2019 Monthly Bill Impacts

Customer	Bill Under Current Rates	2019 Average Monthly Bill Scenario A: 15.50% Revenue Increase			2019 Average Monthly Bill Scenario B: 16.75% Revenue Increase		
		Full COS	2-Yr. Phase-In	5-Yr. Phase-In	Full COS	2-Yr. Phase-In	5-Yr. Phase-In
S-F Residence (7 ccf/mo.)	$24.47	$27.30	$27.80	$28.03	$27.60	$28.11	$28.34
Industrial Customer A	$49,622.96	$68,192.32	$62,746.92	$59,497.68	$68,945.93	$63,417.49	$60,136.26
Industrial Customer B	$2,354.18	$2,625.29	$2,672.38	$2,700.61	$2,653.79	$2,700.78	$2,729.58
Industrial Customer C	$15,504.85	$22,856.58	$20,383.82	$18,906.29	$23,117.43	$20,585.79	$19,107.25
Industrial Customer D	$6,307.14	$7,902.00	$7,591.39	$7,408.59	$7,992.68	$7,671.77	$7,490.04
Industrial Customer E	$6,748.76	$8,664.96	$8,225.74	$7,968.33	$8,766.88	$8,314.05	$8,057.66
Industrial Customer F	$139.90	$144.61	$153.09	$158.19	$146.17	$154.75	$159.90
Industrial Customer G	$9,804.09	$10,134.12	$10,728.93	$11,085.80	$10,243.89	$10,845.06	$11,205.81
Industrial Customer H	$1,182.95	$1,807.25	$1,586.40	$1,454.58	$1,827.13	$1,603.76	$1,470.23
Industrial Customer I	$1,224.38	$1,691.14	$1,553.35	$1,470.48	$1,709.80	$1,568.33	$1,485.66

Question #2: Cost-of-Service Analysis

- How should the City implement the COSA findings?
  - No phasing (move to full cost of service)
  - 2-year phase-in (50% of COS adjustment)
  - 5-year phase-in (20% of COS adjustment)

Hookup Fee Methodology

Calculate fee "by dividing the net system replacement value by the number of users the system can support." *Loomis v. City of Hailey*

$$\text{Hookup Fee} = \frac{\text{Net System Replacement Value*}}{\text{Existing System } \textit{Capacity}}$$

* Replacement cost less unfunded depreciation.

Features:

- Simple, straightforward
- Requires less information
- Likely under-recovers future costs (regulatory changes, capacity expansion)
- Protects developers from wish lists

NAMPA
IDAHO

Hookup Fee Update

- Hook-up fee can only incorporate usable assets
- Phase I Upgrades are still in progress
  - PGA completion expected summer 2018
  - PGB completion expected spring 2019
  - PGC completion expected winter 2019
- Options:
  - Integrate phases of plant improvements as they come on line
  - Wait for plant completion and update hookup fee

NAMPA
IDAHO

Question #3: Hookup Fees

- How often should the City update its hookup fees?
  - Annually?
  - As part of system planning cycles?
  - Some other frequency?
- Should the City adjust hookup fees annually for inflation (ENR) between updates?

Water Rate Update

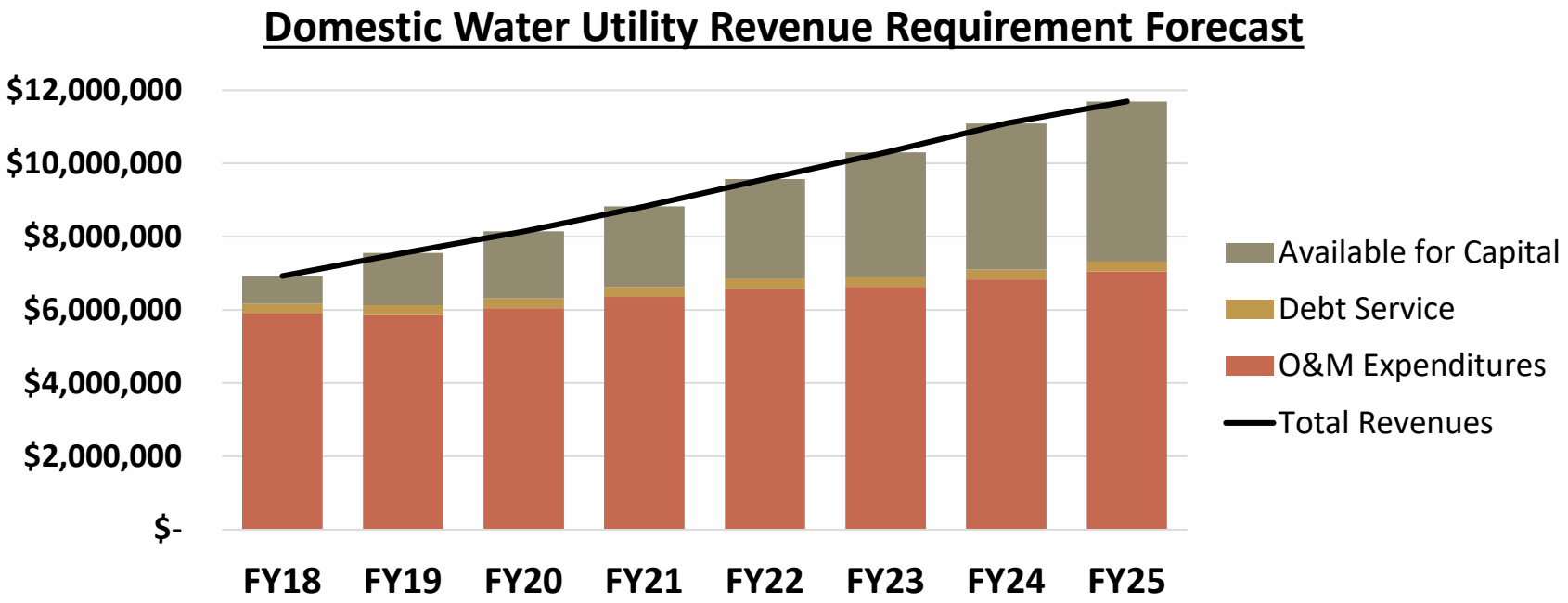
- Domestic water rates most recently reviewed in 2015

Domestic Water Rate Increases	FY16	FY17	FY18
Recommended	18.00%	18.00%	18.00%
Adopted by Council	18.00%	9.00%	9.00%

- Domestic water rate update considers:
  - Updated revenue projections (at adopted rates)
  - Updated expense projections (current budget)

NAMPA
IDAHO

Scenario A: Smoothed Water Rate Increases

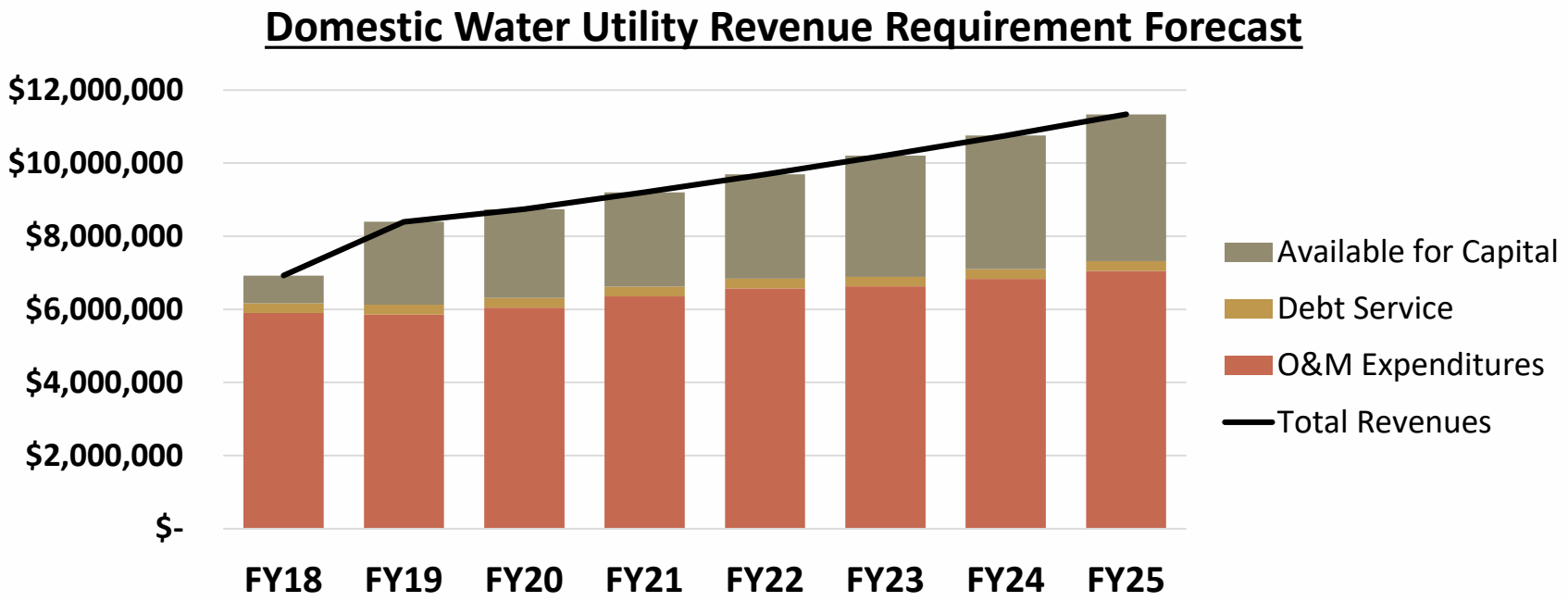


	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Annual Rate Increase	0.00%	9.00%	9.00%	8.00%	8.00%	7.00%	7.00%	4.50%
Average Monthly Residential Bill @ 7 ccf	$14.10	$15.36	$16.74	$18.08	$19.50	$20.86	$22.32	$23.35
1.5% Median Monthly Household Income[1]	$51.51	$51.51	$51.51	$51.51	$51.51	$51.51	$51.51	$51.51

[1]Based on 2016 MHI of $41,210.

NAMPA
IDAHO

Scenario B: Frontloaded Water Rate Increase



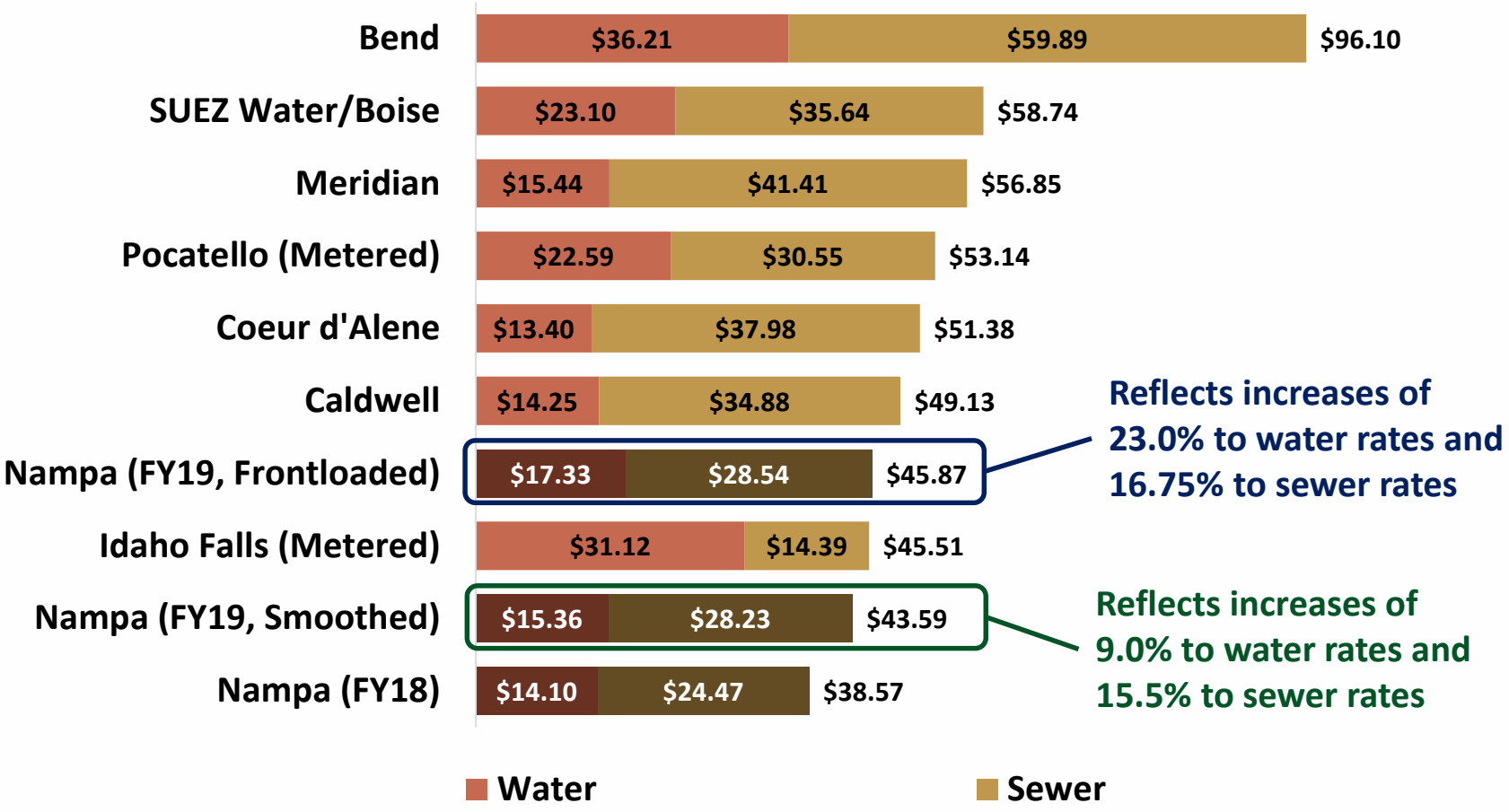
	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Annual Rate Increase	0.00%	23.00%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Average Monthly Residential Bill @ 7 ccf	$14.10	$17.33	$18.11	$18.91	$19.77	$20.65	$21.56	$22.53
1.5% Median Monthly Household Income[1]	$51.51	$51.51	$51.51	$51.51	$51.51	$51.51	$51.51	$51.51

[1]Based on 2016 MHI of $41,210.

NAMPA
IDAHO

Combined Monthly Water/Sewer Bill Comparison

(3/4" Single-Family Residential @ 7 ccf/Month)



Reflects increases of 23.0% to water rates and 16.75% to sewer rates

Reflects increases of 9.0% to water rates and 15.5% to sewer rates

NAMPA
IDAHO

Question #4: Domestic Water Revenue Req.

- How should the City implement the rate increase?

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Scenario A: Smoothed	0.00%	9.00%	9.00%	8.00%	8.00%	7.00%	7.00%	4.50%
Scenario B: Frontloaded	0.00%	23.00%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%

NAMPA
IDAHO

Impact of Monthly Billing

- City staff estimated the incremental costs of monthly billing:
  - $101,753 per year in salaries/benefits for 2 additional FTEs
  - $95,616 per year in merchant processing fees
  - $85,860 per year in printing/mailing costs
  - $30,712 per year in lock box services
  - $7,500 for billing software support services (one-time expense)

Ongoing annual cost of $313,941

- Based on the City's allocation of utility billing costs among utilities, the following rate increases would be needed to cover the incremental costs:

Utility	Allocation of Utility Billing Costs	Incremental Cost (Ongoing)	Rate Increase Needed
Domestic Water	44.0%	$138,134	2.0%
Wastewater	25.0%	$78,485	0.6%

NAMPA
IDAHO

Question #5: Monthly Billing

- Should the City transition to monthly billing?

Next Steps

- Board of Appraisers – June 19th
- Public Hearing – July 16th

Questions/Discussion

Authorization to Advertise Notice of Public Hearing for Various Wastewater and Water Rates, Fees, and Charges

- On June 4, 2018, a Special City Council meeting was held to provide Council members detailed information regarding increases to wastewater and water rates, fees, and charges

- On June 19, 2018, after taking into consideration the information provided by City Council, the Board of Appraisers (BOA) will hear the proposed increase to wastewater and water rates, fees, and charges based on Council's general direction. The BOA will provide a recommendation on this date

- The proposals are coming forward at this time to allow for sufficient public notification through utility bills, between the proposed public hearing date of July 16, 2018, and the anticipated effective date of October 1, 2018

- Staff requests a public hearing to increase various wastewater and water rates, fees, and charges

REQUEST: Authorize advertisement of Monday, July 16, 2018, public hearing to present recommended increases to various wastewater and water rates, fees, and charges.

May 16, 2018

Nampa City Council -

My name is Cindi Hartley and I live in Nampa. I am writing on behalf of the low income and disabled community with fixed incomes.

I am concerned with the increases on the wastewater treatment plant upgrades and do not know how I will pay for the increases after a few years. I would like city council to consider how they could assist those of us on fixed incomes and possibly provide some sort of safety nets for those in need. I realize we all have to do our part, but I don't know what will happen when we reach the point we have to decide between a roof over our heads, bills and food.

Thank you for your time.

Sincerely,

Cynthia Hartley (Cindi)

Cindi Hartley

204 Meffan Avenue

Nampa ID 83651

Nathaniel Haveman

From: Deborah Bishop
Sent: Thursday, May 24, 2018 8:07 AM
To: Nathaniel Haveman
Subject: FW: Harriman Report

Deborah Bishop
City Clerk
411 3rd Street South
Nampa, ID 83651
O: 208.468.5426 F: 465.2314
City of Nampa - Like us on Facebook
NAMPA Proud

From: Bruce Skaug <bruce@skauglaw.com>
Sent: Wednesday, May 23, 2018 6:03 PM
To: Deborah Bishop <bishopd@cityofnampa.us>
Cc: haverfield@cityofnampa.us; Rick Hogaboam <hogaboamr@cityofnampa.us>
Subject: Harriman Report

Clerk Bishop,

Please add this document to the next council packet where we deal with wastewater.

Thank you.

Bullet points on the NWWP

- Indian creek is not a natural creek, it is an agricultural drain ditch. Both the History of the Nampa and Meridian Irrigation districts and a 2001 CH2MHill report prepared for the Lower Boise River Watershed Advisory Group and in the 2016 Indian Creek Temperature TMDL Strategy Paper it is recorded as an intermittent dry creek bed.

- IDEQ does not have jurisdiction over irrigation districts, water rights, or the timing of distribution of irrigation water thru the Indian Creek watershed.

- Indian Creek should be classified Agricultural, not cold water.

- As Indian Creek does not flow into U.S. water continuously and is an intermittent stream as described in supreme Court decisions of Rapanos vs. U.S. and the Kennedy opinion there is no continuous connection to navigable waters.

- The US Environmental Protection Agency (EPA) and Idaho Department of Environmental Quality (IDEQ) have determined that the Lower Boise River and Brownlee Reservoir do not meet their beneficial use because of too much total phosphorus (TP).

- As a result, the EPA has mandated expensive (in excess of $40 million) technology to reduce the phosphorus discharged by the Nampa Wastewater Treatment Facility above and beyond the 90% reduction achieved in a $38 million current upgrade.

- IDEQ recognized that "the movement of TP through the watershed and the interrelationships among the complex plumbing, water reuse, agricultural drains and tributaries, ground water, and other biogeochemical processes are not well known."

- The complexity of the plumbing is shown in that the Nampa WWTP discharges approximately 14 cfs of effluent into Indian Creek. About 8 miles downstream Indian Creek is diverted into the Riverside Canal during irrigation season.

- The NWWTP comprises only 4.2% of the 330 cfs flow in the Riverside Canal. Only 5-8 cfs of this flow eventually is discharged to the Snake River. The rest of the flow is consumed by agricultural use. This means essentially none of the phosphorus discharged from the NWWTP is discharged to the Snake River.

- The IDEQ encourages water reuse and other innovative approaches to reducing TP loading to our rivers.

- The fact that essentially 100% of the NWWTF TP is reused and prevented from discharging to the Snake River should be considered total reuse and innovative.

- Any contracts or construction for phosphorus removal at the Nampa WWTF should cease at the end of Phase I.

- As Temperature cooling to 13 C or 54.4 F is not attainable as the natural flow of water coming from seepage is 59 F. Water mixing with Wilson Drain which exits the fish hatchery at 59 F will cause higher water temperatures than required.