




# Wastewater Treatment and Disposal Upgrade Industry Working Group Policies Meeting #1 April 26, 2012



City of Nampa  
Wastewater Division  
[www.cityofnampa.us/wastewater](http://www.cityofnampa.us/wastewater)



# Welcome

- Introduction of IWG members, staff, consulting team
- Review of Agenda
- Keyword: Stability
- Background
  - Recent negotiations
  - City Council negotiations and the need for public policy
  - Development of Standard Operating Procedure



## Need for Comprehensive Policy

### Industrial Connection Fee = WW Capacity Reservation

- **Need:** Stability and Predictability
- **Goals of this process**
  - Capacity reservation policy compliments Nampa's economic development strategy
  - The policy is an incentive for industrial development and existing industry expansion
  - The policy is designed to maintain the financial integrity of the wastewater fund



## Governmental Accounting

**Although the availability of wastewater service is essential to economic development, *from a governmental accounting standpoint* wastewater and economic development are very distinct municipal activities.**



## Governmental Accounting

- **General Fund Services (Police, fire, parks, recreation, economic development, etc.)**
  - Revenues = property taxes, state-shared revenues, grants, fees
  - Impact of economic development (taxes) received in General Fund
- **Wastewater *Enterprise* Fund (wastewater collection, treatment, discharge)**
  - Revenues = user charges, connection fees, grants, loan proceeds
  - Impact of economic development (taxes) not usually contributed to WW



## Direct Discharge and WW Capital Investment

### **Benefit of Indirect Discharge versus the cost of Direct Discharge**

- Direct regulation by EPA vs. WW service provided by the City of Nampa



## Direct Discharge and WW Capital Investment

### Wastewater Capital Investment and Excess Capacity

- Who has paid for the wastewater system?
  - All customers invest in the whole system – including excess capacity of the system
  - Operating and debt costs of the whole system are paid by existing customers
  - Annual operating and debt costs are shared by new customers as well



## Direct Discharge and WW Capital Investment

### Wastewater Capital Investment and Excess Capacity

- Should “new” customers pay for the prior investment in excess capacity?
  - Have new customers ever paid for the establishment of excess capacity?
  - How is the acquisition cost of excess capacity calculated?
  - Does the acquisition cost of excess capacity impede economic development?
  - These questions are policy issues



## Nampa's Interest in WW and Econ Development

- **Stability**
- **Municipal incentives relative to capacity reservation yields benefits**
  - Implementation of economic development goals
  - Utilization of the excess capacity of the wastewater system (up to 85%)
  - Broadening of the wastewater customer base



## Nampa's Interest in WW and Econ Development

- **What might the City request from industry in exchange for incentives?**
  - Number of and quality of jobs (minimum level for new average wage)
  - Planning and zoning requirements
  - Environmental performance (or other policy-related performance goals)



## Industry Incentives and Capacity Reservation

- **What's in it for my company? Stability and Predictability**
  - Continued access to the indirect discharging benefit provided by Nampa
  - Predictable availability of service
  - Predictable cost of service



## Industry Incentives and Capacity Reservation

- **Industry Incentives for Policy Consideration**
  - Loans/Lease/Purchase of POTW Excess Capacity
  - Tax Abatement
  - Transferability of Prior Purchased Capacity Reservations
  - Pretreatment Options



## Industry Incentives and Capacity Reservation

- **Loans of excess capacity**
  - Recall of capacity = no property value of capacity reservation
  - No holding charge for reservation without use of capacity
  - No cost to industry, risk cost of production interruption



## Industry Incentives and Capacity Reservation

- **Purchase of excess capacity**
  - No recall of capacity reservation (no risk to industry)
  - Property value of purchased capacity is immediate
  - Holding charge for reservation of capacity without use of capacity
  - Fixed/predictable cost to industry



## Industry Incentives and Capacity Reservation

- **Lease/purchase of excess capacity**
  - No recall of capacity according to lease/purchase terms
  - Property value of capacity reservation increases as purchased capacity accumulates
  - Holding charge for reservation of purchased capacity without use of capacity
  - Risk to industry, less risk to City
  - Cash flow orientation



## Industry Incentives and Capacity Reservation

- **Tax Abatement**
  - Mechanisms for tax abatement
  - Incidence of tax abatement effects
    - General fund
      - Delayed revenue impact and delayed effect of tax abatement





## Industry Incentives and Capacity Reservation

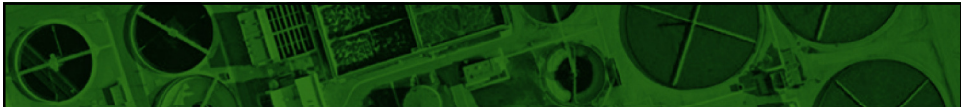
- **Transferability of previously purchased capacity reservations**
- **Pretreatment Options**
  - Who pays and who operates?
  - Voluntary Environmental Improvement Bonds



## Open Discussion

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## Next Steps

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