



City of Nampa

Wastewater Treatment and Disposal Upgrade

Industry Working Group

Meeting #7 Summary

May 17, 2012 ♦ 4 – 6 p.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 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 seventh Industry Working Group meeting on Thursday, May 17, 2012 at the Nampa Civic Center. This is the second time the Industry Working Group met to discuss comprehensive industrial wastewater policies.

The meeting objectives were to:

- Review results of the research of other cities' wastewater incentive policies.
- Discuss and confirm the list of policies Nampa should consider.
- Review process and timeline for policy development.

Agenda:

- Welcome and opening remarks – Michael Fuss, P.E., Director of Public Works, City of Nampa
- Housekeeping – Rosemary Curtin, Public Involvement Consultant, RBCI
- Research results – Bill Jarocki, Public Policy and Economic Consultant, Voltaic Solutions
- Nampa's potential policies – 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 #7 (Policy Meeting #2)
- PowerPoint presentation
- Comment form

Meeting Attendees

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

- Burl Ackerman, JR Simplot Company
- Bob Braun, Amalgamated Sugar
- Ted Comstock, Pepsi Bottling Ventures
- Eric Erickson, Amalgamated Sugar Company
- David Wride, Boise Paper Company

Staff

- Michael Fuss, City of Nampa, Public Works Director
- Greg Pearce, City of Nampa, Wastewater Superintendent
- 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. Michael's opening remarks included the following information:

- During the previous Industry Working Group meeting, potential policies for capacity reservation were presented to the Industry Working Group. The group will review those policies again during this meeting and decide if anything needs to be added, changed or removed.
- The main reason the City wants to have documented policies is to ensure stability and predictability in service and rates. 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 once the policies are in place.
- Bill Jarocki of Voltaic Solutions has conducted research on policies from other cities that the Industry Working Group requested at the previous meeting. The results of that research will be presented.

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 being presented today. Gathering input from everyone is a very important part of the working group process.

Research results – Bill Jarocki, Public Policy and Economics Consultant, Voltaic Solutions

Bill's presentation of his research results included the following information:

- The policy development 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.
- 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.
- Before policies go into place, the baseline of the current capacity needs to be known. When the capacity at the wastewater treatment plant hits 85 percent, the City must begin planning expansion for the plant. The baseline is determined by looking at the flow and load usage compared to total capacity.
- During the previous Industry Working Group meeting, the committee requested to know more about incentive policies being used by communities throughout the country before moving forward. Bill Jarocki fulfilled this request by conducting cursory research of policies nationwide regarding industrial connection fees.
- The research effort was conducted to discover:
 - Incentive techniques being used by communities throughout the country.
 - Whether examples existed which were similar to the potential incentive techniques introduced at the last IWG meeting.
 - Evaluations of existing incentive programs and the applicability of those studies to the Nampa effort.
- Below is a list of the communities and studies that were uncovered during our research. If you would like detailed information about any of the studies below, please contact RBCI and the Wastewater Program Management Team will provide a copy of the information.
 - Economic Development Incentives for Infrastructure Improvement (fee waiver program): McKinley County, New Mexico
 - Industrial Pretreatment Program: Municipal Technical Assistance Service, University of Tennessee, Institute of Public Service (MTAS/UT/IPS)
 - Wastewater Administration Policies: Lake City, Tennessee
 - Mitigation Fee Act (Governs Capacity Fees): State of California
 - Wastewater Treatment Capacity Banking & Transfer: Modesto, California
 - Business Incentive Plan: Sunnyvale, Texas

- Economic Development Incentive Policy: City of Kerrville, City of Ingram and Kerr County, Texas
- LB-840 Cash Payment Incentive: Grand Island, Nebraska
- Wastewater Service Connection Fees: MTAS/UT IPS
- Assessing Evaluation Methodologies for Performance-Based Incentives (W.E. Upjohn Institute for Employment Research)
- What Works in Economic Development Practice? An Evaluation of Strategies and Tools (Center for Economic Development, Maxine Goodman Levin College of Urban Affairs, Cleveland State University)
- Building a More Sustainable Economy: Economic Development Strategy and Public Incentives in Austin, Texas
- Financial Incentive Compliance Review: Marion County, Florida
- Development Fee Trends and Tucson Case Study (Galardi Consulting, LLC)
- The key themes from the research are:
 - Broad policy statements emphasizing equity and fund integrity
 - Tax abatement and fee waivers
 - Quid Pro Quo – Industry requirements to earn incentives
- Below are the results of cursory research conducted on wastewater policies for other cities in Idaho:
 - Boise – no formal incentive policies; up-front industrial wastewater capacity charges are required; financing is available, but may require security instrument.
 - Caldwell – no formal incentive policies; up-front industrial wastewater capacity charges are required; payment is required before the building permit is issued.
 - Pocatello – no formal incentive policies; up-front industrial wastewater capacity charges are required; payment is required before site occupancy.
 - Twin Falls – No incentive policies; sewer rates may be negotiated.
 - Meridian – Economic development incentive policies are expected to be drafted this year (2012-2013).
 - Idaho Falls – has an economic and community development incentive program; the City may expedite the permitting process; the City may waive all or part of the fees with the establishment of new businesses.
- The City of Nampa does not currently have wastewater capacity reservation policies documented. The City wants to work with the Industry Working Group to develop and document economic incentive policies. Providing Nampa’s City Council with a set of policies to operate within will enable the City to move away from the “deal-by-deal” approach where precedent is set with every negotiated contract.

Nampa's potential policies – Bill Jarocki

Bill explained he will use the Industry Working Group's input from this meeting to begin drafting capacity reservation policies. Bill presented the following information about the potential policies that Nampa is considering:

- 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.
- As a matter of principle and precedence, Nampa already has some practices in place. The intention of the Industry Working Group process is to document policies and add or change any needed information.
- The City is considering the following capacity reservation policies:
 - 1) *Lending wastewater system 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 lent 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 lent capacity back.
 - 2) *Purchase of wastewater system 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 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 of wastewater system capacity* – This policy would be a hybrid of the lending and purchase policies. The industry would make monthly payments (with interest) and accumulate the property right to the capacity over a specified amount of time. There would be no recall of the capacity according to the lease/purchase terms. This option would pose less risk to industry and less risk to the City. It would also enable cash flow orientation.
 - 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. An important factor to consider with this policy is that the revenue impact to the general fund would be delayed until the industry's property taxes are collected, which would result in a delayed effect of the tax abatement for the industry.
 - 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. This transfer would be dependent on the capabilities of the City's collection system (i.e. pump stations and pipelines) to handle to relocated industry.

- 6) *Pretreatment* –If pretreatment benefits the wastewater plant because it allows the City to maximize capacity and reduce the loading, the City could negotiate a cost share of the pre-treatment capital and O&M costs with the company. The City could attempt to establish a voluntary environmental improvement bond (VEIB) program with favorable terms that the City extends to industrial customers for purchasing pretreatment facilities. This would likely require a legislative solution to allow VEIBs. Once established, the City and the company could negotiate responsibility of the pretreatment facilities operation.
- 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 requirements, environmental/green performance).
 - The Industry Working Group should consider including a “sunset clause” provision when developing the policies. A sunset clause is a requirement within a statute, regulation or other law that states that the policy shall cease to have effect after a specific date, unless further action is taken to extend the law. The sunset clause would require Nampa's capacity reservation policies to expire on a certain date, unless renewed by the City Council. It is recommended that a specific evaluation of the effectiveness of the policies would be required before they could be renewed.
 - A cost of service study needs to be developed for the wastewater upgrade process. The City is trying to establish industrial wastewater capacity reservation policies so 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 is expected late this summer.

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:

- One group member was not in favor of the tax abatement policy. His concern was that this policy would deal with the general fund, which is money for other areas/departments of the City. He was concerned that involving the sewer fund with the general fund could lead to arguments and convoluted perceptions on where the money is going. He also commented that this policy would be managed by City Council members and City Council members change, which could influence the effectiveness of the policy.
- Another group member said that it is important to ensure the sewer fund stays whole (fully funded) so when the plant needs to be expanded, capital reserves are available without having to raise the rates of current payers. He also commented that tax abatement seems to be outside the purview of the sewer fund.
- Michael Fuss explained to the group that one of the concerns the City has had with developing the economic incentive policies is the issue of giving away capacity without

getting something back in return. Tax abatement would allow the City to give industries capacity as an incentive and the City would get something back. He also emphasized that keeping the sewer utility whole is the main objective of this process.

- The IWG strongly recommended that the tax abatement policy be removed from this group's discussion and instead, be drafted by Cliff Long, Nampa's Economic Development Director.
- The IWG voted whether or not Bill Jarocki should draft the tax abatement policy for the IWG to review. Several of the group members said they would like to at least see a draft of the tax abatement policy before it is completely removed from consideration.
- The IWG took a vote and the final decision was that Bill Jarocki will draft the tax abatement policy. The draft tax abatement policy will be presented at the next meeting for review.
- The Industry Working Group decided to move forward with all of the policies and add the following two policies:
 - *Building an incentive fund within the sewer fund* – The City could establish an incentive account within the wastewater enterprise fund that the City could use to incentivize economic development by selectively (using decision criteria) offering grants or no-interest loans to qualifying industries to offset wastewater connection expenses. The incentive account would be built into cost of service and revenues would be derived from a portion of the user fees paid by every wastewater service customer. This policy would give the Nampa Public Works Department the ability to make improvements very quickly in the event that a company would require specific infrastructure to accommodate their expansion or move to Nampa. All customers would benefit from new customers making the best and efficient use of the existing treatment plant capacity.
 - *Mechanism for inter-customer exchange of capacity* – A City-managed system would be established that would allow industrial customers who have a short-term surplus of their capacity property right to exchange that surplus capacity with other industrial customers that are experiencing a short-term deficit of discharge capacity. The City would develop a fee system to offset the costs of administering the system. The City would also receive a commission of the buying and selling fees established by the industries. This policy would allow industry to sell capacity to each other to maximize use of existing plant capacity. The City would oversee the technical aspects of the exchange of capacity to ensure that impacts to the wastewater treatment processes are accounted for and can be managed.

Next steps – Rosemary Curtin, RBCI

- Between now and the next meeting, Bill Jarocki will use the feedback and information provided from the Industry Working Group to develop an initial draft of the wastewater capacity reservation policies.
- It is anticipated the next Industry Working Group meeting (#8) will be held on June 12. During this meeting, the Industry Working Group will have the opportunity to review the draft policies and provide input on what needs to be added, changed or removed.

- 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. The anticipated schedule for developing the policies is:
 - May 30 – Program Team will present updates to Nampa's Wastewater Advisory Group
 - June 1 – Voltaic Solutions will deliver the draft policies to the Program Team
 - Week of June 4 – Draft policies will be distributed to the Industry Working Group
 - June 12 – Industry Working Group Meeting #8 (draft policies will be presented)
 - June 26 - Board of Appraisers will review the draft policies
 - July 16 - Draft policies will be presented to Nampa's City Council
- A meeting summary will be developed and emailed to all the Industry Working Group members within the next few weeks.
- 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.