

Meeting Summary
Nampa Wastewater Advisory Group
Meeting #5 | Nov. 28, 2017 | 4-6 p.m.
Nampa Civic Center

Overview

The City of Nampa is evaluating options to upgrade its wastewater infrastructure, address regulatory requirements and prepare for the future. The City has adopted a multi-phase approach to the upgrades based on community input. Phase I is under construction. The City is currently evaluating alternatives for the next two phases.

The City is working closely with the Nampa Wastewater Advisory Group during the decision-making process. This group of community members and industry representatives has agreed to provide feedback to the City and spend time learning about the technical considerations. City public works staff and project engineers have committed to preparing group members with a basic knowledge of wastewater and the complexities of Nampa’s system.

The NWAG met for the fifth time on Nov. 28, 2017.

Meeting #5 Objectives

- Briefly review NWAG #4 meeting and participant feedback
- Present Cost of Service Study results
- Explain 2018 wastewater upgrade activities

Summary Contents

This document includes a summary of the presentation, questions and comments from the NWAG meeting. Answers to members’ questions have been provided by the technical team.

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Next Meeting Date

City Council Workshop	Jan. 31, 2018 (NWAG members are invited to participate.)
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Presentation Summary | NWAG Meeting #5

The content of NWAG Meeting #5 was presented on PowerPoint slides. The slides include detailed information about each agenda item and are attached as an appendix to this document. A brief overview is included here for reference.

Introductions and Today's Workshop | Michael Fuss, P.E., Nampa Public Works Director

- Thank you for attending today's workshop. I have good news to share. We have just received a \$40,200 energy efficiency award from Idaho Power. The award represents one of the ways the City is working to save energy and dollars wherever possible.
- *Michael introduced the speakers and asked NWAG members to introduce themselves. He reviewed critical success factors from the first NWAG meeting, as well as the committee's feedback from NWAG Meeting #4.*
- One of the critical success factors we identified in the first NWAG meeting was to "maintain affordable wastewater service for ratepayers through long-term, fiscally sound decision-making." The EPA defines "affordability" as a percentage of median household income. We will be discussing today what affordability means for Nampa.

NWAG #4 Summary | Matt Gregg, P.E., Brown and Caldwell

- We have been discussing six alternatives for the upgrade and working to determine the right decision for Nampa. The NWAG and City Council have recommended re-using water for irrigation and industry.
- The expected capital improvements cost of the preferred alternative is \$120.9 million. An additional \$9.7 million will be budgeted for operations and maintenance. In addition, the City needs to complete \$13.2 million in repair and maintenance projects.
- The cost estimate includes a \$15.5 million "programmatic contingency" to address risks such as high construction bids and issues with digging near Indian Creek. These risks are 11 percent of the overall cost.
- *Matt reviewed the schedule for designing and constructing the project. He then asked NWAG members to complete the first question of their comment sheet: Do you have any questions regarding the capital improvements plan for Nampa's wastewater upgrade?*

Review Cost of Service Study Results | John Ghilarducci, FCS Group

- *John reviewed the process of the rate analysis, which was discussed at NWAG Meeting #4.*
- During NWAG Meeting #4, the group expressed interest in a "smoothed" approach to rate increases. Today we have three scenarios to share with you: Scenario A is cash-only funding. Scenario B is debt and cash funding with smoothed increases. Scenario C is debt and cash funding with front-loaded increases.
- *John reviewed revenue requirements and potential rate increases for each scenario in detail. Numbers are provided on the PowerPoint slides.*

- Each scenario would cross the “affordability index” as defined by EPA at a different point. Because it is difficult to predict median household income and other factors that could change in the future, the forecast may change. Based on the information today, we would appreciate you indicating your preferred scenario on your comment sheet.
- *John reviewed additional steps in the cost-of-service analysis, which was discussed during NWAG Meeting #4 and summarized on the PowerPoint.*
- Based on the cost-of-service analysis results, a little over half of the costs of the utility are attributable to dealing with flow. After the proposed improvements, a larger percentage will be attributed to treatment – for example, additional treatment of phosphorus, suspended solids and nitrogen. This would impact different customer classes differently because they have different needs for treatment.
- The results of the cost-of-service study would suggest a slight change in the burden for different customer classes. If the cost-of-service study is fully implemented, the burden on residential customers (SE2) would decrease. The burden on commercial customers (such as SE4) would increase slightly because these customers require more treatment.
- *John showed potential rate increases based on the cost-of-service study, as well as potential increases without the cost-of-service study (called “across the board” increases). NWAG members were asked to indicate a preference on their comment sheet.*

Thank You and Next Steps | Michael Fuss

- The City has been implementing an automated meter reading program since 2009. We will be able to switch to monthly billing for all residential customers this fall.
- We will be meeting with the Industry Working Group tomorrow and facilitating a workshop with the City Council in January. We plan to hold the next NWAG meeting in February. A final decision about funding must be made in February or March. We anticipate the first rate increases to take effect in October.
- We would like to hear your feedback about timing of a potential debt authorization vote. There are some pertinent details to consider. The Canyon County Jail may be considering a bond vote in May. We are also authorized for a \$5 million loan through the State Revolving Fund, which is administered by the Department of Environmental Quality. The SRF loan is our cheapest financing option if we take on debt, but it is contingent on debt authorization approval by June 2018.
- We need to determine whether to move forward now or look at other options. The bond vote would need to pass with a two-thirds majority. Please indicate your preference on your comment sheet. *Michael also asked for a show of hands from the group regarding timing.*
- We will send you the summary of this meeting and post it on the website. Thank you for coming tonight.

Questions and Answers | NWAG Meeting #5

Attendees were invited to ask questions during the presentation and on their comment sheets. Answers from the project team have been provided for reference.

1. What is the average person's monthly bill now?

The average residential monthly bill today is under \$24.47.

2. Has the possibility of hazardous waste being uncovered during construction been factored into the contingency funding?

Yes. The City's contingency funding accounts for unforeseen conditions such as hazardous waste, soil removal or underground pipes that were not shown on the drawings. The City assigned a cost line item based on similar construction projects in the area. Unforeseen underground conditions are one of the bigger contingency items.

3. What is the compliance date in the permit? How many years will the City be in compliance?

The City's permit has two compliance dates. The final phosphorus limits take effect in 2026. The temperature compliance deadline in the permit takes effect in 2031. The City has developed a schedule that will allow the upgrades at the Nampa WWTP to be complete by these deadlines.

4. When will the City begin working with industries on the water reuse part of the program?

The City is in the process of working with DEQ on the reuse permitting side. The City will begin working with our irrigation partner and industry in 2018 and 2019 to work through contract negotiations and planning.

5. Would it be possible to deliver water to industry earlier than 2031?

The development of the full recycled water program is planned to be complete by 2030, to address the temperature limits. However, there may be an opportunity to deliver water to an industry as early as 2025 when the Phase II Upgrades are scheduled to be completed.

6. Is the pump system (for industry reuse) included in the \$150 million project cost?

Yes, the cost of the industrial reuse pump system is included the \$150 million.

7. Is there any potential of combining multiple counties into one large utility district, especially considering that cities in the Treasure Valley will continue to expand? For example, many cities in Minnesota are part of a regional utility that serves seven counties. What will we do when it is solid residential between Boise and Caldwell?

While anything is possible, it would be a major undertaking to change to a regional utility model. Between now and 2040, we don't anticipate the Treasure Valley expanding to the point that the population is solid residential and open space is eliminated between Boise and Caldwell. Nampa's plant can handle 18 million gallons per day (MGD) today and the City is projecting to treat flows of approximately 26 to 27 MGD in the future.

8. How are other similar cities planning to fund these requirements?

The City does not have a specific answer about how other cities are planning to fund their wastewater improvements. The City does have some information, but it is hard to compare

cities in an “apples to apples” approach. We do know that other cities are in a similar situation as Nampa. They are facing new regulatory requirements, growing service populations, and the need for capital investment in aging infrastructure. The approach to improving the treatment process and funding will vary.

- 9. Could there be a “Scenario D,” where (similar to Scenario B) we include more gradual increases until 2030 and then do a larger increase after that? There will be more capacity than for borrowing increases because we will no longer be paying down the urban renewal bond.**

The City’s permit includes compliance schedules for meeting the final phosphorus and temperature limits by 2026 and 2031, respectively. With any funding approach, we need to make sure we are able to complete the projects to meet these timelines.

- 10. Is it fair to say that the rate classes represent different cost drivers? In other words, the impacts to different classes are different because of the different cost drivers?**

Yes. The reason that rates for SE4 are higher than SE2 is because wastewater effluent from restaurants (SE4) is stronger and it requires more treatment.

- 11. Who is keeping an eye on federal regulations? Who is lobbying on our behalf at the federal level? Will the federal government reduce regulations on phosphorus?**

The City has been actively engaged with the regulators at all levels, including EPA and DEQ, for a number of years. The City has been and will continue to review federal regulations as they change. The City was proactively involved in the TMDL process that determines the phosphorus load that is allowed in Indian Creek and the Boise River. The phosphorus and temperature requirements are enforced through the Clean Water Act and are unlikely to change. The City is also looking at ways to stay ahead of future regulations from EPA and DEQ – for example, the temperature requirement is eliminated by discharging water into the irrigation canal. The risk analysis also includes the possibility of additional regulations in the future. For example, constituents such as pharmaceuticals and personal care products may be regulated.

- 12. Comment: We need to be careful about what we ask for. I remember when the lakes and streams used to be clear and pristine. You could see to the bottom. That has changed dramatically because what we have done to our water. We need to look at doing the right thing. It’s good to save some money, but at what long-term cost?**

Thank you.

- 13. Is it impossible to renegotiate the permit?**

The City has already negotiated the permit that is in place. City staff began negotiating the permit with EPA and DEQ in 2009. These negotiations culminated in the current permit that was issued in late 2016. The City could go back and approach the EPA and DEQ again, but the City does not see many possibilities from a technical or legal standpoint.

- 14. Are there any advantages to meeting the permit requirements ahead of schedule? Would EPA consider incentivizing the City to be in compliance earlier?**

The City is not aware of any possibility for this.

15. Is there an option for trading for phosphorus credits?

There's lots of discussion now in the Treasure Valley about trading for phosphorus. Several projects have been proposed that would produce phosphorus credits for sale, but the City is not aware of any credit buyers currently. The difficulty of this approach is that it is not sustainable over the long term. The presentation from NWAG Meeting #3 discussed the challenges with trading in more detail.

16. How many pounds of phosphorus are discharged today and where are we supposed to be in the future?

When Phase I upgrades are completed, the Nampa WWTP will go from approximately 450 pounds per day phosphorus discharge to 46 pounds per day in the summer based on current flows. By the end of the permit we will be discharging 15 pounds of phosphorus per day (0.1 milligrams per liter) during the summer.

17. The City of Boise built the Dixie Drain Project for \$45 million and it takes out 20,000 pounds of phosphorus. This allowed them to be in compliance through 2038. Have we looked at this as a possibility for Nampa?

One of the City's original alternatives (Alternative 4) was to "treat and offset," similar to the Dixie Drain Project. The materials from NWAG Meeting #3 (available at www.cityofnampa/wastewater under "Phase II Upgrades") include more detail about why this alternative was eliminated. In short, the cost of this alternative was roughly the same as the cost of other alternatives, but the City was unable to find a property along Indian Creek that was available and large enough to meet the City's phosphorus removal requirements. In Nampa's case, because Indian Creek is impaired for phosphorus, the City would need to find land on Indian Creek between the treatment plant and Caldwell. Additionally, the longevity of this solution posed additional risk. The Dixie Drain project could be located anywhere between Boise and the Snake River because the City of Boise discharges to the Boise River. It is also important to note that Boise is still doing upgrades to its treatment plant in addition to the Dixie Drain project.

18. What is our legal capacity to borrow?

The City must have debt authorization in order to have the legal authority to borrow. The City would have to hold a vote to take on debt such as a revenue bond or State Revolving Fund loan.

19. Can the debt be set up to borrow different amounts at different times?

If the City pursues the State Revolving Fund loan, it would pull monthly amounts as construction moves forward. That is a significant advantage of the SRF loan. If the City were to go into the bond market, that approach would need different amounts at different times. The City would need \$20 million for the design portion, then additional funds (\$100-plus million) for the construction portion. Those can each take a couple of years. The City would be going over on an annual or bi-annual basis to collect funds so we could pay the contractor. The City would not get the vote and then go borrow a bunch of money and sit on it.

20. Do we need to put this in a bill insert? How soon do we start communicating with the general population?

If the City decides to hold a bond election in May 2018, the City would begin a larger public education effort starting in January. As part of this, the City would likely be asking all of you to help. NWAG members know more about wastewater than the general population. The City really appreciates the effort.

21. CWI spent \$370,000 of school money to promote the bond campaign. What will be the cost of Nampa's communication?

As a public agency, the City can educate but not advocate about a bond vote. The City needs to make the next right decision for Nampa and citizen engagement is critical to that process. As such, the City has been consistently budgeting for public engagement. If the decision is made to pursue debt financing, the City plans to execute a public outreach and education campaign for the broader community in January 2018.

22. What do the irrigation companies (i.e. Nampa, Meridian, Pioneer) think?

Thus far there has been mutual interest in the opportunity for Class A recycled water. The City and Pioneer are working on a legal agreement that will help both parties continue to advance this opportunity further. Pioneer has expressed interest in the additional water supply that the Nampa WWTP Class A recycled water program could potentially bring to their system.

23. Is temperature compliance required if we discharge to irrigation/industry? Is temperature compliance seasonal?

Temperature regulations are enforced seasonally during the summer months (July, August and September) when water temperatures are highest for Indian Creek. The attractive feature of discharging recycled water to either industry or irrigation systems is that temperature is not a regulated constituent for these end uses. Therefore, the City could avoid building temperature treatment technology by discharging to these users instead of Indian Creek.

24. Are the costs of implementation included in the hookup fees? Is the City planning to raise hookup fees as well?

Hookup fees are calculated based on the currently installed system. Therefore, the cost of the future upgrades cannot be factored into the hookup fees until the project has been completed. The existing hookup fees reflect the currently installed system.

25. What is the assumed time period for the \$13.2 million for repair and replacement funding? Is the \$13.2 million already embedded in the cost?

Repair and replacement projects are estimated to cost \$13.2 million through 2031. These costs have been considered in the development of the overall rates.

26. With projected growth in the 2033 master plan, will an increase in users offset rates?

Expected growth within the City has been taken into account in both the planning effort and the rate development. The rates presented incorporate these growth projections.

27. Is there a return on investment in the future (i.e. irrigation water use)?

The development of a recycled water program would create additional water assets that the could be used for irrigation or industrial reuse purposes. These additional water assets would offset other water needs, which would benefit the Nampa community.

**28. Is there cost savings if the irrigation district uses our water and passes it on to our citizens?
Will it ease some of the water rights irrigation issues if we are able to pipe into irrigation?**

The City is in the process of negotiating an agreement with an irrigation district to allow for the discharge of water to an irrigation canal. The irrigation district and City's irrigation customers would potentially benefit from the additional water in the canal.

29. Can any funds/grants be used to offset cost (i.e., UR when expired in 2030)?

The City is actively pursuing and will continue to pursue potential funding sources for these upgrades. This includes the DEQ State Revolving Fund loan program as well as other potential funding sources.

30. Do the A, B, C options include any consideration of industrial users' payback for treated wastewater?

The rates do not consider any potential revenue from the sale of recycled water to an industrial customer.

31. Since Nampa bills bi-monthly, are the numbers actually doubled?

These bills represent monthly billings, which are planned to be implemented in the City's billing structure in October 2018.

Questions 32-40 were submitted after the meeting.

32. Can you provide or tell me where I can find a copy of Nampa's draft Wastewater Facility Plan?

The Nampa WWTP Facility Plan was submitted to the Idaho Department of Environmental Quality (DEQ) on December 8. DEQ conducts a technical review of the Facility Plan to confirm that the planning document meets the DEQ requirements. The Facility Plan will be made available to the public following DEQ's technical review of the document. This is expected in mid-January.

33. What is DEQ's wastewater facility planning public input and approval process?

Following DEQ's approval of the Facility Plan, the Facility Plan will be presented to the City Council for approval. This approval process includes a public hearing on the Facility Plan during which public input will be accepted.

34. When do the Board of Appraisers and the City Council approve the draft and final Nampa Wastewater Facilities Plan?

The City Council will have a public hearing on the Facility Plan following DEQ's technical approval of the document. This is expected to occur on Feb. 20 at the regularly scheduled City Council

meeting. At the Dec. 19, 2017 Board of Appraisers meeting, an update on the Facility Plan and funding scenarios was provided.

35. When do the Board of Appraisers and the City Council approve how wastewater rates may be set?

City staff and the Wastewater Program Management Team will be discussing the preferred approach to funding the needed upgrades with the City Council in January and February. The formal rate setting process supporting the selected funding approach, which includes approval from the Board of Appraisers and City Council, will occur subsequently.

36. What we need to see are the components of the project. The scope of the project has not been clearly identified.

The major project components for the Preferred Alternative were presented in NWAG Meeting #4. The Preferred Alternative includes the upgrades necessary to create a recycled water program, as a means of addressing the phosphorus and temperature requirements, as well as rehabilitation of existing assets and increasing system capacity to meet future demands.

37. On page 3 of your proposal, “Defining Affordability,” are 1-2% projections on a \$40,060.00 household income, but what application does this have on the size and scope of the project?

City staff and the Wastewater Program Management Team (WPMT) are interested in defining what is affordable for Nampa’s residents. EPA looks at the size of rates as a percentage of the median household income when considering the affordability for a community. The information presented in NWAG #5 was meant to serve as a guide for how others have defined affordability. We are also interested in the perception of the NWAG that we can share with the regulatory and funding agencies. Affordability will not reduce the work that needs to be done but it may result in loan principal forgiveness and/or interest rate breaks.

38. The data provided does not provide the rationale to determine the fee. To arrive at a fee the fee must be based on the final cost or segments thereof.

During previous NWAG meetings (NWAG #2 and NWAG #3), we reviewed the needed upgrades to the Nampa WWTP. The cost of these improvements totals \$150 million. This cost serves as the basis for the rate study, the results of which were presented during NWAG #5.

39. Does it include the wastewater conduit and if so to what extent?

This planning effort does not consider the collection system, which is used to convey flow to the WWTP. These needs will be evaluated in a future study.

40. Is the present planning concerning the present existing development or does it also include the anticipated future capacity requirements and the conduits therein involved?

The current planning accounts for both existing customers and projected future customers. While it considers the facilities needed at the Nampa WWTP to support both types of customers, it does not evaluate the collection system.

Comment Sheets | NWAG Meeting #5

At several points in the presentation, NWAG members were encouraged to record their preferences and questions on a comment sheet. The comment sheet included several specific questions regarding capital improvements and funding.

1. Do you have any questions or comments regarding the capital improvements plan for Nampa’s wastewater upgrade?

2. Please circle your preferred approach for funding of the upgrades. Why?

Scenario A – Cash-only funding

Scenario B – Debt and cash funding with smoothed increases

Scenario C – Debt and cash funding with front-loaded increases

3. Please circle your preference. Why?

1) Across-the-board rate increases for all customer classes

2) Full cost of service implementation (increases are determined based on the customer classes’ share of costs)

4. If the City decides to pursue debt funding, when should the debt authorization vote occur?

May 2018

November 2018

May 2019

4b. If Canyon County decides to pursue debt funding, should the City’s potential debt authorization vote be:

After

Concurrent

Other comments:

A summary of NWAG members’ responses to each question begins on Page 11.

Question-by-question summary

NWAG members gave detailed input during the presentation and on written comment sheets. Every question from the comment sheets has been added to the list of Q&As (beginning on page 4) and has received an answer from the technical team. The remaining comments have been summarized here.

1. Do you have any questions or comments regarding the capital improvements plan for Nampa’s wastewater upgrade?

The City received numerous questions in response. All questions have been added to the Q&As on pages 4-8 and have received a technical response. Questions included:

- What do the irrigation companies (Nampa, Meridian, Pioneer Irrigation Company) think?
- Is temperature compliance required if we discharge to irrigation/industry?
- Is temperature compliance seasonal?
- At what point will the treated wastewater be available to industrial users for our return on investment?
- Will industrial users participate in the cost of delivery piping, pumps, etc.?
- Are the costs of implementation included in the hookup fees?
- What is the assumed time period for the \$13.2 million repair/replacement projects? Does this approximate the average expected life cycle cost by component?
- What out of the total capital is the \$13.2 million?

2. Please circle your preferred approach for funding of the upgrades. Why?

Fifteen NWAG members indicated a preference on their comment sheet:

Preferred approach		
0 members	Scenario A	Cash-only funding
7 members	Scenario B	Debt and cash funding with smoothed increases
8 members	Scenario C	Debt and cash funding with front-loaded increases

The City did not receive any comments regarding **Scenario A**.

Comments in favor of **Scenario B** included:

- A more gradual increase is more affordable to more ratepayers.
- This is fairer for seniors who only have a few years left to live in their homes.
- A gradual increase is more financed with debt, which ensures that new growth will participate at a greater level than existing ratepayers.
- This is fairer to those moving in and out.

Comments in favor of **Scenario C** included:

- Long-term rates are more gradual and easier to manage over the long haul.
- It will get everyone’s attention and could create the possibility of growth.
- This the cheapest scenario in the long term.

- Less rate increase over time is like ripping off the band-aid early and recovering from there.
- There would be less debt service with Scenario C rather than Scenario B.
- This is an opportunity to educate citizens about a first-year high rate increase with minimal increase in following years.
- I do not like the idea of using urban renewal taxation to fund this type of project.

Other responses included:

- Please consider “Scenario D” (debt/cash funding) with gradual increases over 12 years until the Urban Renewal bonds are repaid.
- The City needs to consider projected growth (and potential offset to rates), future return on investment, funds or grants to offset the costs, and the change in federal administration.
- With the 9 percent water increase, other expenses and the possible jail bond, this increase will be devastating to those on a fixed income and small businesses.
- The City should notify water customers in their billing that the increases are coming.

3. Please circle your preference. Why?

Fourteen NWAG members indicated a preference regarding rate increases.

Preferred approach	
10 members	Across-the-board rate increases for all customer classes.
4 members	Full cost of service implementation

Comments about across-the-board increases included:

- We are a two-member household. Our water use is very stable and predictable. We have lower usage than a business or industrial customer.
- The impact would be lower to an average user versus a high user.

Comments about a full cost-of-service implementation included:

- This incorporates the concept that those who drive the highest cost bear the higher cost. It is based on actual uses, flow and strength.
- Across-the-board increases may favor one type of user over another.
- Option one is just a way of taxing some customers to support other customers.
- This is most agreeable for residents/commercial/industry.

4. If the City decides to pursue debt funding, when should the debt authorization vote occur? If Canyon County decides to pursue debt funding, should the City’s potential debt authorization vote be after or concurrent?

Fifteen NWAG members indicated a preference on their comment sheets. Some indicated a preference regarding one, but not the other.

**Preferred timeline if
Canyon County decides to
pursue debt funding**

8 members	Before
2 members	Concurrent

**Preferred timeline for debt
authorization vote**

8 members	May 2018
4 members	November 2018
2 members	May 2019

Comments about the timeline for a debt authorization vote included:

- May 2018 is too close. It limits the time to prepare and educate.
- November 2018 could meet SRF deadline in January.
- Need to get debt authorization prior to jail bond vote if possible.
- May 2018 folds in the latest cost estimates.
- May 2018, assuming the City Council has approved and the city has done all the education that is reasonable to do.
- Ignore the county and move forward at our own pace.
- The City needs to lobby for the farmers to clean up their act.
- Be careful spending money to advocate. Check with attorneys.
- Grey water (should be) incorporated in new building permits with a reduced rate.
- We know the debt is coming. It would be better to notify the voting public.