



City of Grand Island

Tuesday, April 26, 2011

Council Session

Item G11

#2011-100 - Approving Wastewater Cost of Service Based Rate Study

Staff Contact: John Collins, Public Works Director

Council Agenda Memo

From: John Henderson, Wastewater Engineering and Operations Superintendent

Meeting: April 26, 2011

Subject: Approving Waste Water Cost of Service Based Rate Study Report

Item #'s: G-11

Presenter(s): John Collins, P.E., Director of Public Works

Background

Agreement with Black & Veatch for Consulting Services regarding Treatment Capacity process alternatives and rate model work

An agreement with Black& Veatch of Kansas City, Missouri for engineering consulting services related to capacity process alternatives and rate model work was approved on April 13, 2010 and an updated report presented on April 5, 2011. The completion of this rate study was affected by many factors; the decision to not build the anaerobic digester complex, JBS Swift's decision to build its own wastewater treatment facility with its affect on revenue, and the completion of the May, 2010 comprehensive study that revealed the urgent need to address the collection system.

Wastewater Infrastructure

The sanitary sewer collection system has mains that have been in service for over a century with some mains in the downtown area dating back to the 1890's. The collection system contains almost 230 miles of sanitary sewer mains, 17 sewage lift stations and a wastewater treatment plant that is averaging 12 million gallons per day of flow. The division is a capital intensive operation because of the miles of pipeline to maintain and the gallons of wastewater needing treatment. While there have been substantial improvements made at the plant over the years, there are still many improvements that are needed in the future. Many parts of the plant date back to the original construction in 1964. It's critical that the plant has the capacity to accommodate growth in our community, and any new or expanded industry while continuing to meet environmental requirements for our discharge. Replacements, upgrades, and expansions at the plant will be a continuous and on-going process.

Rate Study

The Wastewater Division of the Public Works Department is an enterprise fund with no property tax dollars used to support the division. The entire budget comes from wastewater customers through sanitary sewer bills. The sewer bill for a residential customer is based on usage and standard strength for residential sewage. The sewer bill for commercial and industrial customers is based on usage plus an extra strength component. A cost of service based rate study looks at all costs for the operation and allocates those costs of service to the customer classes according to the costs of providing service. Rates are then designed to equitably cover those costs. It's important that each customer pay their "fair" share of the costs for the city to own and operate the collection system and the Wastewater Treatment Plant.

Discussion

The final waste water cost of service based rate study report is now complete and ready for council approval. The final report includes recommended rates for fiscal years 2012, 2013. It has been recommended that the first year of rate adjustments will come into effect January 1, 2012 with the second and third commencing on October 1, 2012 and October 1, 2013 in the following years, and will be considered by the council along with other city rates as part of the normal budget process. It is clear that there is a significant need for replacement of segments of the interceptors in the collection system and several capital items at the wastewater facility as outlined by the April 5th council presentation.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve.
2. Refer the issue to a Committee.
3. Postpone the issue to a future date.
4. Take no action on the issue.

Recommendation

Public Works Administration recommends that the Council approve the final waste water cost of service based rate study report.

Sample Motion

Move to approve final waste water cost of service based rate study report.

RESOLUTION 2011-100

WHEREAS, at the April 5, 2011 City Council Study Session, representatives from the engineering consulting firm Black & Veatch Corporation of Kansas City, Missouri presented tables and allocations for a wastewater cost of services based rate study; and

WHEREAS, the final wastewater cost of service based rate study report has been finalized by Black & Veatch and is now complete; and

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the final Wastewater Cost Based Rate Study report as prepared by engineering consulting firm Black & Veatch Corporation of Kansas City, Missouri is hereby approved and adopted.

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Adopted by the City Council of the City of Grand Island, Nebraska, April 26, 2011.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk