



City of Grand Island

Tuesday, April 05, 2011
Special Mtg./Study Session

Item X1

**Presentation on Wastewater Capital Improvement Plan Update
and Cost of Service Based Rate Study**

Staff Contact: John Collins

Council Agenda Memo

From: John Collins, Public Works Director

Meeting: April 5, 2011

Subject: Presentation on Wastewater Capital Improvement Plan Update and Cost of Service Based Rate Study

Item #'s: 1

Presenter(s): Gary Mader, Utilities Director
Anna White, Black & Veatch Consulting Firm
Derek Cambridge, Black & Veatch Consulting Firm

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. 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 to treat. 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, a 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

Item for discussion will include the following items as part of the PowerPoint presentation for tonight's council meeting:

- Reduction in loading from JBS Swift new lagoon Construction;
- May 2010 Comprehensive Plan Update identifying Urgent needs;
- Construction of the JBS pretreatment facilities which will reduce loading further and change wastewater characteristics;
- Decision to not build the anaerobic digester complex because of new JBS facility;
- Added collection system projects from May 2010 Comprehensive Plan Update;
- 5 Year CIP and reductions;
- Rate Study review; and
- Nitrite Extra Strength Surcharge

Conclusion

This item is presented to the City Council in a Study Session to allow for any questions to be answered and to create a greater understanding of the issue at hand.