



COBURG CITY COUNCIL ISSUE ITEM

TOPIC: Pumping charges for Wastewater System

Meeting Date: April 12, 2016
Staff Contact Bob Butler, Public Works Director, Milo Mecham, City Attorney
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SUGGESTED COUNCIL ACTION

Schedule a hearing on a resolution establishing a pumping fee and credits.

BACKGROUND

A separate discussion presents the need for a general rate increase for the next several years. This discusses one particular aspect of the cause for an increase; extra pumping of the City septic tanks.

When the operating cost model was originally developed by Kennedy Jenks engineers as a part of the planning and construction of the system, one cost that was underestimated was the cost of pumping. Based on the manufacturer's information, the cost of pumping a 1000 gallon residential tank was built into the cost model as needing pumped once every five years.

Actual experience has been different. Each time a tank is inspected or worked on, it must be pumped, so some residential tanks have been pumped already. Most significantly, some commercial operations produce a high volume of waste, so these tanks are pumped much more frequently, sometimes once every three months.

Based on a year's experience in operating the system and pumping certain tanks frequently, the cost for this is now included in the budget at \$50,000 a year (2017 budget). This unplanned for cost increase accounts for approximately \$0.50 a month of the projected needed increase in wastewater fees for the next ten years.

One alternative (Plan A) is to create a separate pumping cost. Except for the credit discussed below, every time a tank is pumped, the property owner would get a bill from the City for the pumping (unless the tank is pumped for inspection or repair or similar reasons). The pumping bill would be for the cost per gallon charged by the contractor, plus a city administrative fee, minus a credit based on the one free pump every five years.

The per gallon charge is set by the contractors who are engaged to pump the tanks. Now this has been running around \$0.32 per gallon. There are Coburg staff costs; each time a tank is pumped a Coburg public works employee must be there to turn the low tank alarms

off, and then go back after a few days to turn the alarm back on. Over the year this cost works out to about \$0.05 per gallon. The proposed pumping charge is the contractor charge per gallon pumped, plus \$0.05 per gallon.

The credit is not expressed in dollars, but in terms of gallons. If a "standard" residential system of 1000 gallons is pumped once every five years, the monthly credit would be 16.6 gallons a month for each EDU. (1000 gallons / 60 months * 1 edu = 16.6 gallons/month/EDU).

Each prospective user would receive a credit equivalent to 1000 gallons every five years for a residential tank. If the user has more than one EDU, their annual credit would be larger. Any amount in excess of that credit would be charged to the owner of the tank.

Tanks are pumped for two reasons. Sometimes it is necessary to pump the tank because of a system failure or a need to inspect. Other times it is necessary to pump the tank because the volume of use is greater than the tank can handle. Staff is not proposing to charge the tank owner if the tank is pumped because of the system needs (inspections, pump replacement etc.). Staff is proposing to charge only for the user related pumping. This focus, plus the proposed credit is why, although the expected pumping costs are \$50,000 for the next year, the anticipated recovery from the pumping charge is only \$45,000 a year.

An alternative approach (Plan B) would be to add on a one time rate increase to cover the pumping costs. If the desired recovery is \$45,000 year, then the monthly recovery would need to be \$3,750. If this is divided among the large commercial users (equaling approximately 302 of the total 630 EDU in the City) it would result in a one-time rate increase of \$12.42 a month for these users. That is in addition to the projected annual rate increases applicable to all users. If the cost were to be spread among all current users (630 EDU) it would require a \$5.95 a month one time increase, followed by the projected necessary annual monthly increase.

There are advantages and disadvantages to each approach. Plan A has the advantage of putting the extra charge directly on the users that are causing the additional cost. It also is easier to administer because the property can be sent a bill for each pumping, and if the cost of pumping increases, no additional rate increase is necessary. The disadvantage is that it will seem like a large bill when presented to the user, and it will collect less than the annual cost of pumping because of the credits and exemptions.

Plan B has the advantage that it keeps everything rate based, and the cost is spread out over several months (so the apparent pain is reduced). The disadvantages are that it might set up a two tier rate structure, which may be difficult to administer, and will certainly be difficult to monitor as users change. It also treats all users of a type the same, regardless of whether they are actually frequent pumpers or not.

To illustrate the different amounts collected take a hypothetical user. They have a 5000 gallon tank, they are billed 25 EDU and their tank requires pumping every six months.
Plan A charges: $5000 - 415 (16.6 \text{ credit} * 25 \text{ EDU} * 6 \text{ months}) * \$0.37 = \$1696$ bill
Plan B charges: $\$12.42$ (monthly surcharge for commercial users) * 25 EDU * 6 months = \$1863 paid at the rate of \$310.50 a month.

ANALYSIS

Because the proposed Plan A is based on the actual charges for a property that is pumped, and because it gives a credit for the pumping element built into the existing rates, Plan A seems more fair to the staff.

RECOMMENDATION AND ALTERNATIVES

Staff recommends that the Council direct the development of a resolution creating a pumping charge with credits as described above. Staff recommends that the Council include in the budget an income of approximately \$45,000 a year from the pumping charge, and that the Council schedule a public hearing on the proposed charge prior to the start of the next fiscal year.

There are a number of alternatives:

1. Do nothing. If the Council chooses to not institute a pumping charge the monthly rate increase will need to be greater, or the City will begin drawing down its necessary reserves faster than is prudent or allowed by the lending agreements signed by the City.
 2. If the Council chooses Plan A, the Council may consider the draft resolution attached.
 3. If the Council chooses Plan B, the staff will prepare a resolution adding a pumping surcharge to certain bills (commercial users) or to all bills.
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BUDGET / FINANCIAL IMPACT

The budget impact will be a projected \$45,000 annual increase in sewer funds.

PUBLIC INVOLVEMENT

There has been no public involvement. The public will have an opportunity to be involved at the recommended public hearing.

NEXT STEPS

The next step will be to return to the Council for a public hearing on the attached resolution or an alternative resolution as directed by the Council.

ATTACHMENTS

- A. Draft Resolution 2016-06 A resolution setting a wastewater pumping fee
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Reviewed By

City Attorney. Milo Mecham
Anne Heath, Finance Director
Bob Butler, Public Works Director
Petra Schuetz, City Administrator

Draft **RESOLUTION 2016-06**

A RESOLUTION SETTING WASTEWATER PUMPING FEES

WHEREAS, Ordinance 291 provides the City Council with authority to set rates for the construction and operation of the Coburg Wastewater Systems; and

WHEREAS, it is necessary and appropriate to update the wastewater service rates and to provide for a method for future adjustments to insure a fiscally sound operating wastewater system, including maintaining required debt reserves and constructing a prudent equipment replacement reserve; and

WHEREAS, the cost of pumping septic tanks has proven to be significantly more expensive than originally anticipated because pumping certain tanks is occurring more frequently than projected during construction,

NOW THEREFOR, THE COBURG CITY COUNCIL RESOLVES AS FOLLOWS:

1. Definitions

For purposes of administration of this Resolution, the following terms shall be defined as set forth in this section.

A. Wastewater Storage Pumping. Pumping a STEP tank that is a part of the Coburg wastewater collection system because, due to the nature of the waste being introduced to the tank by the user, or the volume of waste being introduced or other reasons associated with the use of the tank as an initial storage and treatment component of the Coburg Wastewater System, the tank requires pumping.

B. Maintenance Pumping. Pumping a STEP tank because Coburg staff determines that inspection, maintenance or repair of one of the components of the STEP system require that the tank be pumped.

C. EDU Credit. A credit available for every user when the tank is pumped. The credit will equal 16.6 gallons per month since the last time the tank was pumped, times the number of EDU charged to the user of the STEP system being pumped in the last full month of billing prior to pumping.

D. Coburg Administrative Pumping Fee. A charge added to the per gallon fee charged by the pumping contractor to cover the Coburg staff cost for each pumping.

E. Contractor's charge. The price per gallon of effluent pumped charged by the contractor selected by Coburg Public Works to pump a Coburg STEP system tank.

2. Pumping Service Fee Established. Effective July 1, 2016, a pumping fee shall exist and shall be charged any user of the Coburg Wastewater System whose STEP tank is pumped as a part of a wastewater storage pumping, or where the STEP system

is pumped for maintenance pumping and it is discovered that the maintenance pumping was necessary for reasons that constitute actions contrary to the operation and use regulations for STEP systems adopted by the City of Coburg.

3. Administrative Pumping Fee established. Effective July 1, 2016 all pumping charges shall include an administrative fee of \$0.05 per gallon.

4. The amount charged a user for pumping shall be determined by subtracting the EDU credit from the number of gallons pumped, then multiplying the resultant number by the sum of the contractor's per gallon charge plus the administrative pumping fee. $((\text{gallons pumped} - \text{EDU credit}) * (\text{contractor per gallon charge} + \text{administrative fee}))$

5. The fee established by this Resolution shall be in addition to, and shall not replace any other wastewater service fee or charge collected by the City of Coburg. Failure to pay this fee shall be subject to the same penalties as is provided for any other wastewater service fee.

Adopted this ___ day of _____, 2016

Ray Smith, Mayor

___ Ayes

___ Nays

___ Abstain

Attest:

Sammy Egbert, City Recorder