

Wednesday, April 19, 2023

Joint City Council Workshop - College Place and Walla Walla - Hybrid (In-Person & Electronic)
4:00 P.M.

City Council Workshop - Hybrid (In-Person & Electronic)

In-Person at the College Place Fire Department, 629 S College Avenue, College Place Washington

Workshop may be viewed at: Live Stream on City of College Place, Washington YouTube at https://www.youtube.com/channel/UCbx3qrqzLDL_05NusReSI-g/featured
Zoom Attendee Link: <https://us06web.zoom.us/j/89652786959>

Or you may call this number to listen: 1-669-900-9128 ID# 896 5278 6959 Phone controls: *6 - toggle mute/un-mute and *9 - raise hand

1. Opening Items.

Subject :	1.01 Call To Order
Meeting :	Apr 19, 2023 - Joint City Council Workshop - College Place and Walla Walla - Hybrid (In-Person & Electronic)
Category :	1. Opening Items.
Access :	Public
Type :	Procedural

Public Content

Mayor Hernández will call the workshop to order.

Subject :	1.02 Roll Call
Meeting :	Apr 19, 2023 - Joint City Council Workshop - College Place and Walla Walla - Hybrid (In-Person & Electronic)
Category :	1. Opening Items.
Access :	Public
Type :	Procedural

Public Content

Mayors - Norma L. Hernández, College Place; Tom Scribner, Walla Walla

Paul T. Jessup,

Michael Cleveland,

Tito Espinoza Jr.,

Loren Peterson,

	Melodie Williams,
College Place Council	Heather Schermann,
Members -	Monica Boyle
Walla Walla Council Members -	Rick Eskil,
	Brian Casey,
	Gustavo Reyna,
	Ted Koehler,
	Susan Nakonieczny,
	Steve Moss
	College Place Staff:
	Administrator, Mike Rizzitiello;
	City Attorney, Rea Culwell;
	Finance Director, Brian Carleton;
	Public Works Director, Robert McAndrews;
	Community Development Director, Jon Rickard;
	HR Manager, Shawn Doering;
	City Clerk, Sherri St. Clair
	Walla Walla Staff:
	City Manager, Elizabeth Chamberlain; Public Works Director, Ki Bealey
Subject :	1.03 Pledge of Allegiance
Meeting :	Apr 19, 2023 - Joint City Council Workshop - College Place and Walla Walla - Hybrid (In-Person & Electronic)
Category :	1. Opening Items.
Access :	Public
Type :	Procedural

Public Content

"Ipledge allegianceto the Flag of the United States of America, and to the Republic for which it stands, one Nation under God, indivisible, with liberty and justice for all."

Subject :	1.04 Public Comment -
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Meeting :	Apr 19, 2023 - Joint City Council Workshop - College Place and Walla Walla - Hybrid (In-Person & Electronic)
Category :	1. Opening Items.
Access :	Public
Type :	Information

Public Content

Council meetings are primarily structured to permit Council Membersto arrive at the decisions necessary to govern the City.

Meeting Protocol for Public Comment:

When submitting public comments, include the following information regardless of the manner you are using: Note that there are deadlines for writtencomments to be included in the meeting documents.

- Your Name
- Your Address

Written Public comments may be provided by submitting comment to Clerk@cpwa.us no later than 4:30PMon the meeting date to be included in the record.(If typewritten, no less than 11 pt font).

Verbal Public Comments may be made during the meeting:

- In-person at the meeting location - provided at the beginning of each agenda.
- Telephone comment - Call1-669-900-9128, entering the meeting ID (provided at beginning of agenda) and raise your hand (*9 to raise hand, *6 to mute/un-mute) when comments are requested.
- Virtual comment -Join using theZoom Attendee link (provided at beginning of agenda) and raise your hand when comments are requested.

Once recognized, you will have five minutes to speak on any subject that is under the control of the Council.

File Attachments

[It is SO EASY to participate in public meetings!.png \(224 KB\)](#)

2. Workshop Topics.

Subject :	2.01 Wastewater Treatment Plant - FCS Presentation - Mr. Rizzitiello, Mr. Gonzalez, & Ms. Sanchez
Meeting :	Apr 19, 2023 - Joint City Council Workshop - College Place and Walla Walla - Hybrid (In-Person & Electronic)
Category :	2. Workshop Topics.
Access :	Public
Type :	Discussion, Information

Public Content

Workshop Only - No Action

Historical Perspective:

The City of College Place and City of Walla Walla have been exploring /discussing the regionalization of our WWTPs.

College Place engaged FCS Group to present on various models and the pros/cons of each.

Information for Consideration:

FCS will present and staff from both cites, along with JUB Engineers will be present to help answer questions.

File Attachments

[Wastewater Treatment Alternatives Analysis.pdf \(873 KB\)](#)
[Appendix - Governance Model Examples.pdf \(703 KB\)](#)

3. Closing Items.

Subject :	3.01 Good of the Order
Meeting :	Apr 19, 2023 - Joint City Council Workshop - College Place and Walla Walla - Hybrid (In-Person & Electronic)
Category :	3. Closing Items.
Access :	Public
Type :	Discussion, Information
Subject :	3.02 Conclusion
Meeting :	Apr 19, 2023 - Joint City Council Workshop - College Place and Walla Walla - Hybrid (In-Person & Electronic)
Category :	3. Closing Items.
Access :	Public
Type :	Procedural

Public Content

Mayor Hernández will conclude the workshop.



Wastewater Treatment Alternatives Analysis



Presented by:
Chris Gonzalez, Principal
Angie Sanchez Virnoche, Technical Advisor

April 19, 2023

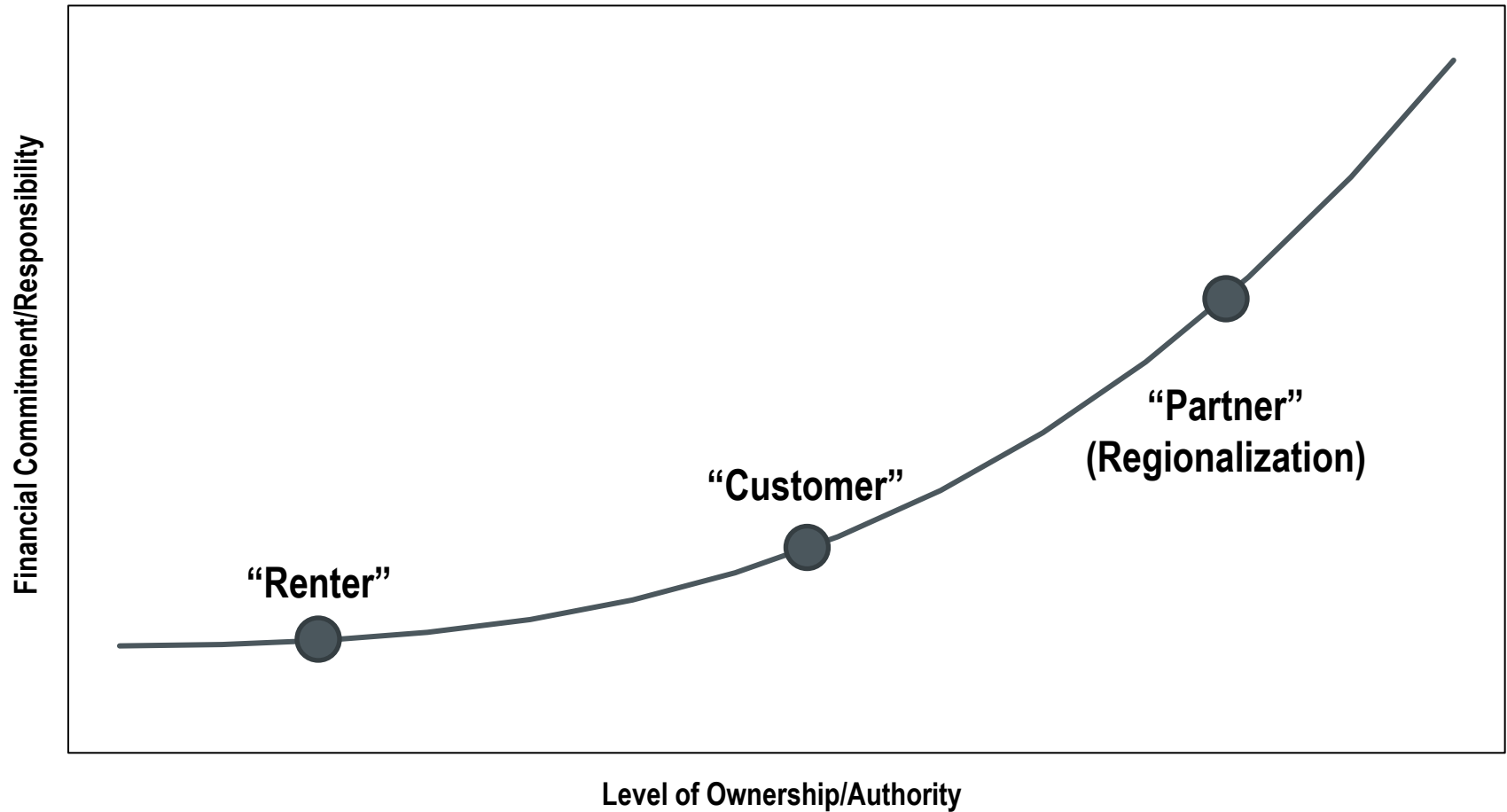


Background

- **Ecology has required the City of College Place to upgrade its wastewater treatment plant (WWTP) as a condition of its NPDES Permit**
 - » 50-million-gallon effluent storage lagoon
 - » Ultraviolet disinfection system
 - » Irrigation pump station and distribution system
 - » Estimated cost of upgrades is \$26 million, which would adversely impact ratepayers
- **College Place approached the City of Walla Walla about sending its wastewater to Walla Walla's WWTP in lieu of completing upgrades**
- **College Place and Walla Walla have expressed interest in evaluating the terms under which such a relationship could be mutually beneficial**



Conceptual Governance Models





“Renter” Model

- **Generally uses the utility-based ratemaking approach, recovering:**
 - » Operating expenses
 - » Depreciation on the assets providing service
 - » Return (“rent”) on the assets providing service
- **Commonly used to set wholesale/contract rates**
 - » Recognizes difference in the level of service received (versus retail customers)
- **Factors considered when determining rates**
 - » Delineating assets providing service (“rate base”) and appropriate rate of return
 - » Cost allocation methodology
 - » Use of budget projections vs. historical actual costs
 - » True-ups
 - » Frequency of updates/indexing



“Renter” Model: Return on Assets

$$\text{Return on Assets} = \text{Allocated Rate Base} \times \text{Rate of Return}$$

- **“Rate base” typically defined as net book value of utility-funded assets**
- **Rate of return is a key point of negotiation**
 - » Fixed rate of return
 - » Return based on weighted average cost of capital (WACC)
 - Debt component: Typically based on average interest rate on outstanding debt
 - Equity component: Opportunity cost of investing cash in infrastructure
 - Average investment earnings rate
 - Current market bond interest rate
 - Risk premium



Advantages of the “Renter” Model

Renter	Service Provider
● Lowest cost to initiate service » Buy-in often not required ● Generally lowest ongoing rates » Typically allocated a subset of costs based on assets providing service ● Less sensitive to capital funding decisions of service provider » Issuing debt » Generating cash through rates	● Provides a way to utilize idle capacity while the retail customer base “grows into it” » Costs can be spread over a larger customer base



Disadvantages of the “Renter” Model

Renter	Service Provider
• Does not own capacity » Ongoing availability subject to contract renewal • Typically requires separate calculation by service provider » Contract administration costs passed directly on to renter • Can create “us vs. them” political dynamic with service provider » Incentive to shift costs to renter for the benefit of retail users	• Greater administrative burden of determining/reconciling renter rates • May require capital investments to serve renter that are recovered over time » Temporary burden on retail users • Potential for retail rate impacts if renter chooses not to renew contract » Potential for stranded investments



“Customer” Model

- **Generally uses the cash-based ratemaking approach, recovering:**
 - » Operating expenses
 - » Debt service
 - » Capital/reserve funding (e.g. system reinvestment)
- **Commonly used to set retail rates**
- **Factors considered when determining rates**
 - » Multi-year financial planning (revenue requirements)
 - » Cost allocation methodology (cost-of-service analysis)
 - » Rate structure priorities/objectives
 - » Phasing of cost increases/shifts
 - » Frequency of updates/indexing



Advantages of the “Customer” Model

Customer	Service Provider
● Capacity commitment is permanent » More stable long-term planning » May be preferred by regulatory agencies ● Less sensitive to politically driven ratemaking decisions of service provider » Rates based on same methodology used to set rates for other users	● Capacity commitment is permanent » Reliable source of revenue ● Simplest model to administer » Uniform ratemaking methodology applies for all users



Disadvantages of the “Customer” Model

Renter	Service Provider
● Buy-in (connection charge) typically required; can be paid upfront or over time ● Generally higher rates than renter model » Rates reflect systemwide costs » Rates are more sensitive to capital funding decisions of service provider	● Capacity commitment is permanent » May reduce capacity available for other users » May require incremental capital investments that are recovered from all ratepayers



“Partner” (Regionalization) Model

- **Separate entity serves both agencies**
 - » Possibly a joint municipal utility services authority (JMUSA) under RCW 39.106
- **Primarily cash-based ratemaking approach**
 - » Could integrate aspects of utility-based ratemaking approach
- **Factors considered when determining rates**
 - » Multi-year financial planning (revenue requirements)
 - » Cost allocation methodology (operating/capital costs; likely specified by agreement)
- **Other (situation-specific) factors to consider**
 - » Formation/operation/administration of separate entity
 - » Definition of “regional system”
 - Walla Walla WWTP
 - Regional transmission system



Advantages of the “Partner” Model

College Place	Walla Walla
● Capacity commitment is permanent » More stable long-term planning » May be preferred by regulatory agencies ● Greater economies of scale » Costs can be spread over a greater number of users » Regional entity can qualify for additional State/Federal funding	● Greater economies of scale » Costs can be spread over a greater number of users » Regional entity can qualify for additional State/Federal funding



Disadvantages of the “Partner” Model

College Place	Walla Walla
● Significant process requirements to form a regional entity ● Voting power would tie directly to financial stake in system » Likely based on capacity shares – College Place flows/loadings represent 15 – 20% of total¹ » Buy-in to regional system assets – Could exceed cost of improvements at CP WWTP » Allocation of ongoing costs – Would include administrative costs for regional entity	● Loss of some control over its wastewater system » Likely to retain majority of voting power given its share of capacity ● Potential for additional administrative costs for regional entity » Partially offset by savings in its own operating costs

¹Based on maximum-month flows/loadings in the College Place WWTP Facility Plan and the Walla Walla General Sewer Plan



Governance Models: In the Wild





Chehalis – Napavine, Lewis County Sewer District No. 4

- **Napavine and LCSD #4 pay rates to send wastewater to the Chehalis WWTP**

Definition of Rate Base	• Not applicable
Rate of Return	• Not applicable
Cost Allocation Methodology	• Direct fixed costs based on capacity » Determined separate for WWTP and collection system • Direct variable costs based on metered flows • Indirect/admin costs applied as markup to direct costs
Cost Basis	• Five-year average of historical costs
Frequency of Updates	• Updated every five years
Other Issues/Notes	• Indirect/administrative cost markup capped at 25% • Negotiated exemption from 6% City utility tax



City of Sumner – City of Bonney Lake

- **Bonney Lake has paid connection charges for capacity at Sumner WWTP**

- » Allocated 56.5% of operating/capital costs associated with WWTP

Cost Allocation Methodology	• Capital costs generally allocated based on capacity » Some capital costs shared 50/50 per terms of contract » Bonney Lake pays for its share of capital costs directly • Operating costs based on metered flows and loadings » Only WWTP operating costs allocated to Bonney Lake
Rate Structure	• Monthly bill based on allocated operating costs
Cost Basis	• Budgeted costs with true-up for final billing each year
Frequency of Updates	• Updated every two years (linked to biennial budget)
Other Issues/Notes	• 5% payment in lieu of taxes¹ applied until 12/31/22

¹Intended to compensate Sumner for siting the WWTP within its municipal boundary.



Spokane County – Town of Millwood

- **Spokane County provides wastewater treatment service to Town of Millwood**

- » Contract capacity of 153,200 gallons per day of flow

Cost Allocation Methodology	• Flow converted to equivalent residential units (ERUs) » 153,200 gallons per day → $\approx$ 800 ERUs
Rate Structure	• Retail rate structure applies
Cost Basis	• Budgeted costs (used in retail rate setting)
Frequency of Updates	• Linked to retail rates; separate updates not required

Cascade Water Alliance (CWA)

- **CWA consists of seven member cities/districts**

- » Acts as joint municipal utility services authority separate from member agencies

Cost Allocation Methodology	• Demand share charge ($\approx$ 90% of costs) based on three-year rolling average water demand • Administrative/conservation program costs allocated based on water meter equivalents
Rate Structure	• Monthly bill based on allocated costs
Cost Basis	• Budgeted costs
Frequency of Updates	• Every two years (biennial rate-setting process)
Other Issues/Notes	• Board consists of one representative from each member; voting power based on demand shares • System planning incorporates member planning • Members pay connection charge on all new connections since 2/1/03



Blaine – Birch Bay Water & Sewer District

- **Birch Bay WSD purchases water from “regional system” owned by Blaine**

Cost Allocation Methodology	• Fixed supply operating costs: share of capacity • Fixed distribution operating costs: share of assets • Variable operating costs: 3-year average demand • Administrative costs: direct operating costs • Depreciation on allocated assets • Return on allocated assets » City investment earnings rate + 0.4%
Rate Structure	• Monthly fixed charge plus volume charge
Cost Basis	• Budgeted costs with subsequent-year true-up
Frequency of Updates	• Annually
Other Issues/Notes	• Birch Bay WSD pays for annual true-up/rate calculation • Rate base for Birch Bay WSD offset for connection charge payments and infrastructure donations



Longview – Beacon Hill Water & Sewer District

- Longview manages water treatment plant as a regional partnership with Beacon Hill WSD; oversight by joint operating board
- Beacon Hill WSD pays wheeling charge to use Longview transmission system to receive treated water

Cost Allocation Methodology	• Based on long-term average of annual demand
Rate Structure	• Monthly fixed charge plus volume charge
Cost Basis	• Actual costs
Frequency of Updates	• Treatment component: annually • Wheeling component: rarely
Other Issues/Notes	• Beacon Hill WSD pays for capital costs directly • Historical wheeling rate methodology based on rigorous allocation of actual costs; difficult to update • Agreement has evolved over time to accommodate changing delivery points and capacity needs



Lacey, Olympia, Tumwater, & Thurston County (LOTT) Clean Water Alliance

- Formed in 1976 to access federal and state clean water grant funds
- Legal status/financing authority historically tied to Olympia, incorporated as non-profit corporate entity in 2000
- Partner agencies transferred joint-use facilities to LOTT

Cost Allocation Methodology	• Based on equivalent residential units served
Rate Structure	• Monthly fixed charge; partners pass on to customers
Cost Basis	• Budgeted costs
Frequency of Updates	• Every two years (biennial budgeting process)
Other Issues/Notes	• One board member from each partner agency; board members have equal voting power • LOTT exempt from city taxes per interlocal agreement

Clean Water Services (CWS)

- **Formed in 1970 to consolidate 26 wastewater treatment facilities and address pollution in the Tualatin River**
- **Evolved to encompass broader role in protecting water resources over time**
- **Provides regional and local wastewater/stormwater services to 12 cities**

Cost Allocation Methodology	• Cash-based ratemaking (financial plan/cost-of-service) » Requires allocation between regional/local costs
Rate Structure	• Monthly fixed charge plus volume charge (wastewater)
Cost Basis	• Budgeted costs
Frequency of Updates	• Every year (annual budgeting process)
Other Issues/Notes	• Governed by Washington County Commissioners, but is separately managed and financed from County • Bills customers in small cities/unincorporated areas directly; larger cities bill and remit charges to CWS



Vancouver – Clark Regional Wastewater District

- **Clark Regional WWD sends wastewater to Vancouver for treatment**
- **“Coordination of services” agreement amended in 2021**
 - » Outlines terms for annexations/assumptions

Cost Allocation Methodology	• Direct costs based on measured flows/loadings • Indirect costs applied as a percentage markup • Depreciation and return on assets providing service » WACC + outside-City multiplier
Rate Structure	• Charge per million gallons
Cost Basis	• Budgeted costs
Frequency of Updates	• Every year
Other Issues/Notes	• CRWWD serves customers in Battle Ground/Ridgefield • CRWWD pays for its share of capital costs directly



Summary

- **Various potential governance models**
 - » Greater power/authority generally requires greater financial commitment
- **Many interagency relationships are a hybrid of multiple models**
 - » Each relationship has situation-specific features
 - » Overall goal is to manage risk and ensure equitable contributions to system costs

Thank You! Questions?

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Appendix: Governance Model Examples





Governance Models: In the Wild





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