

Background:

Several repairs are needed in the short term (next several years) at the Buena Wastewater Treatment Facility (WWTF) for the facility to remain viable. For example, the gravel filter at the Treatment Facility is beyond its service life and is causing clogging of laterals, thereby reducing capacity of the plant. See the attached Buena WWTF Plan for more information.

In order to pay for this the County submitted to an Ecology grant/loan program. The project was included in Ecology's Draft Water Quality Funding Offer List for \$2.12M. We were also unexpectedly awarded nearly 70% as grant, with the remainder as loan. Such a high grant ratio for Water Quality Funding related to WWTF repairs is rare. The project was also ranked as one of the highest ranked projects by Ecology for the funding list, as they recognized the large need for this project. Ecology provided the contract for signature March 2020, so funding should be available before the need of an inter-fund loan, assuming this goes through on agenda soon. A rate increase is required to cover costs (citizens were notified in December 2018 before submittal of grant/loan application).

Does this need to go through agenda now?

Yes. We need to go out to bid soon, by April, for a project to coat the tanks at our Buena wastewater treatment facility. The project needs to happen soon to prevent further damage to the tanks from hydrogen sulfide. The estimated cost is about \$400,000. The agreement with Ecology provides the funding for the project. If the agreement is not signed soon then a short-term loan would be required to cover the costs until the agreement was signed. This is the first part of the \$2.12M repairs that will take place.

Is the rate adjustment anticipated?

Yes. A public meeting was held prior to the submission of the Ecology grant, on December 6, 2018, with the citizens connected to the Buena WWTP. At that time it was explained what repairs would be needed and the estimated increase. At that time there was no public objection to the proposed rate increase and overall a show of support. The citizens understood that for their treatment plant to remain viable these repairs were needed.

The commissioners were also informed several times throughout this process as well that a rate increase was going to be needed. Including on the CIP list of projects, through approval of the Buena WWTF Plan, in 2018 through a rates Memo, and in 2019 through a rates Memo.

How was the rate increase determined?

Gray and Osborn was hired to evaluate the Buena WWTF including any financial impact of repairs. When they first evaluated the facility they anticipated a similar distribution of grant to loan ratio that has been seen in the past for similar project that had been funded by Ecology. Their report stated: "If the County were to obtain a loan for \$2,120,700 the yearly payment would be approximately \$119,182. This results in a rate increase of approximately \$38.47 per month. The County's existing sewer rate is \$43.00 per household, an additional \$38.47 per month results in a sewer rate of \$81.47." This anticipated \$38.47 per equivalent residential unit was presented to the Buena area citizens in a public meeting in December 2018.

Due to the high ranking of this project and the ability to receive more grant than was originally anticipated, the annual payments including interest and principal were reduced to an estimated \$32,416. This results in increase in the monthly sewer charges of \$10 per equivalent residential unit (based on 281 equivalent residential units) to cover the loan payment. Operating costs have also

increased in recent years and will need to be factored into the rate increase. Current monthly rates are \$46.10 per equivalent residential unit. Increase in O&M costs will likely necessitate another rate increase in the future, but it is not expected to hit the original \$38.47 increase that was anticipated. Ongoing evaluation will occur as we are trying to keep the rate to the same level as need as this is not meant to make money, but to be used to cover actual costs.

Hope that helps.

Thanks,

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