

Colfax Sewer Rate FAQs – 9/2017



- **What is the current bi-monthly charge breakout per EDU? (base rate + operation, repair and maintenance costs)?**

Single family residences are charged for one equivalent dwelling unit (EDU) for sewer services. The bi-monthly base rate is \$158.03, the charge to maintain the collection system is \$24.40, and there is a debt service (loan) charge of \$71.09.

- **How much does the City collect every year in sewer system charges?**

At present the City collects \$1.87 million on approximately 1,160 EDUs throughout the system.

- **How much does it cost the City to run the Waste Water Treatment Plant (WWTP) and City-wide sewer collection system on a monthly basis?**

Aside from the WWTP, the City maintains 11 miles of sewer lines, and maintains and operates four lift stations to move waste material through the system to the plant. It costs approximately \$111,500 per month to keep all of that working, which doesn't include annual capital improvement expenditures or debt payments on the outstanding loan from the State.

- **Why do sewer rates go up 3.5% every year?**

At the Council's discretion the rates are raised to keep pace with operating costs, and to build and maintain reserves for emergencies and to finance ongoing maintenance.

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- **Why are all City Hall salaries tied to the Sewer Enterprise Fund, and isn't that illegal?**

Under State Law, the operation of a municipal sewer service is considered an 'Enterprise' activity, meaning that it must be treated as an independent business that must pay its own way. Like any business, the sewer system doesn't run itself and requires operational and administrative support – plant operators and maintenance personnel, customer service, billing, state and federal licensing and reporting, budgeting, etc. Rather than hire a completely separate operational and administration staff for the sewer operations, Colfax legally uses City employees and administration staff to do the work instead.

All City staff and contracted services that do the City's work are paid based on their estimated support to all City funds by allocating monies from those funds. The sewer system is the City's largest asset and also its largest liability. As such, it requires an immense amount of support from all City staff, not just those City employees working at the WWTP.

The bottom line is that switching away from the current practice of using City staff, to hiring a completely separate sewer system staff to do the work would not generate any savings to lower sewer rates because at least the same amount of money would have to be spent to operate and maintain the sewer system as is being spent under the current system.

- **Can some of the administration costs be paid from other funds, and if so how would that affect the rest of the City budget?**

State law restricts covering sewer system operational and administration costs with general tax funds because that would be considered subsidizing a separate business that does not necessarily benefit the City residents and property owners who are on septic systems or own undeveloped property.

- **How much does the City still owe on the state loan that was needed to upgrade the WWTP in 2009, how much does the City pay each year to retire that loan, and how much longer will the City be paying off the loan?**

As of June 30, 2017 the principal balance on the state loan stands at \$8.6 million. The City is paying the loan off with annual payments of \$439,000. At that rate the debt will be retired in October 2038.

- **Can the loan be refinanced and would that lower sewer rates?**

As part of the Sewer Rate Study (see next FAQ), City staff will be initiating discussions with the State for refinancing options of our current loan and funding sources for future capital needs. Discussions with USDA for additional grants for future capital needs have already been initiated. It's unlikely that either of these approaches will reduce sewer rates, however, because the inescapable reality is that operating a WWTP is a very expensive proposition and costs only continue to increase as the entire system ages.

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Other factors working against lowering our sewer rates include: as a community Colfax has limited potential for growth that would bring in more ratepayer money; the State mandates the City maintain a reserve balance of \$439,000 (a year's loan payment); the Federal Government requires that we set aside \$35,000 every year for short-lived assets; and the City Council has mandated an annual 17% of annual expenditures operating reserve fund that now stands at \$300,000.

- **Has the City ever done anything to attempt to lower sewer rates?**

Recommended changes and updates to WWTP and collection system procedures have resulted in lowering some costs, such as those for all of the various chemicals the plant requires. But we have also needed to spend more money on sewer system maintenance that was postponed in past leaner economic years, as well as planning for future capital improvements that can't be ignored.

The City has developed its own Operator In Training Program to meet required extra staffing needed for safety reasons. The City is also currently getting ready to begin a Sewer Rate Study to see if and where any restructuring of rates might be possible.

Timeline:

Bid release	August 22, 2017
Contract Award	October 25, 2017
Rate Study Wrap-up	January 31, 2018 (Estimate)

- **Do City payments for previous lawsuits related to the WWTP come out of the Sewer enterprise fund?**

The payments for the lawsuits and excess insurance premiums did come out of the sewer enterprise fund and have all been paid off except for \$62,000 that will be paid off in the next three years.

- **What can individual rate payers do to help reduce sewer costs?**

Stop using your toilet as a universal disposal. Everything that gets flushed down a toilet eventually has to be extracted during the treatment process at the WWTP. The plant is designed to remove human waste, and everything else that gets flushed – pharmaceuticals, food waste, cooking oil, etc. – extends the treatment process and increases maintenance and attendant labor costs not just at the plant but throughout the entire system, all of which drives operation costs higher.