



FILED
AUG 25 1982
CITY CLERK'S OFFICE
SPOKANE, WASH.

Date: August 23, 1982

TO: MAYOR AND CITY COUNCIL

- For Action
- For Information

AGENCY CATEGORY

- Hearing
- Report
- Contract
- Resolution
- Annexation
- Ordinance:
- Emergency _____
- 1st & 2nd _____
- Staff Report **OPR**

RECOMMENDATION

- Approve
- Accept
- Deny
- Set Hearing Date
- For: _____
- Continue To: _____
- Council Direction

Budget Account # _____

AGENDA WORDING

Approval of contract with County, 10 million gallons per day sewage treatment capacity

BACKGROUND

Legally, this contract is an addendum to the City--County wastewater management agreement approved in late 1980. I attach a summary of that agreement which we used in explaining it to the City Council at that time and a copy of a "jig saw puzzle" which I used to explain the various elements which need to fall in place for the area-wide wastewater management to be successful. I will use these visual aids on Monday evening to explain the City--County agreement further.

This addendum is the result of a number of meetings held between City and County staff in June and July. This memorandum will describe the goals of the two agencies of government, the issues which concerned us and the resolutions of those items.

The City's goals are to save the aquifer, not disrupt the County's valley sewer project, and get a fair return for our 10 million gallons per day capacity. The County's goals are different, but not necessarily antagonistic. They seek to avoid the cost and delay of constructing a new free-standing plant and avoid the development of additional sewer districts in the Valley. They want to pay a fair price for 10 million gallons per day

FISCAL IMPACT

Notification necessary to Spokane Valley Advisory Council? Yes No

ATTACHMENTS: (list) (2)

Submitting Department City Manager

Legal

Manager (Finance, Admin., Engineering, or Planning)

Finance

Troy L. Nash

City Manager

FINAL DISPOSITION

APPROVED & ADOPTED BY
SPOKANE CITY COUNCIL:

AUG 30 1982

M. J. Montgomery

CITY CLERK

DISTRIBUTION DESIRED AFTER COUNCIL ACTION:

Spokane County Commissioners
Public Utilities
General Accty.

15-1

capacity but also make that payment at a date in the future when their utility department is in a stronger financial condition than it is today, having many more customers than is presently the case.

Issues:

When would the County begin to pay for the capacity? The initial agreement of 1980 contains language under which it would terminate if the County has not taken action to hook-up valley service by 1985. We thus agreed to reserve this 10 million gallons capacity until 1985 for the County without a fee.

What is 10 million gallons per day worth? We negotiated several different items of cost and came upon a formula acceptable to both City and County staff. Under this formula we would take the 1978 construction cost of the plant, appreciate that cost to 1982 replacement value by using the Engineering News Record cost index for sewer plant construction, Then depreciate that price by applying a depreciation schedule. From that amount we would then deduct the federal and state funds which were available to the project and split the remaining local share on a 10/44 basis because 10 million gallons of the plant would be the County's proportionate usage. This formula sets a price for 10 million gallons per day capacity plus interceptor of \$5,779,709.

What is the pay-off period? The County anticipates having very few customers until 1985, then gradually increasing the number of customers on the system. Rather than burden the County with a heavy payment in years when it has few customers, we agreed to accept a 15 year pay-off period for the County's debt to the City with a gradually escalating portion of the payment being made each year. The County would pay to the City 1% for each of the first two years, 2% for each of the next two years, 4% for the fifth year. For years five through nine they would pay 8% on each of those years and for years 10 through 15 they would pay 10% for each of those years.

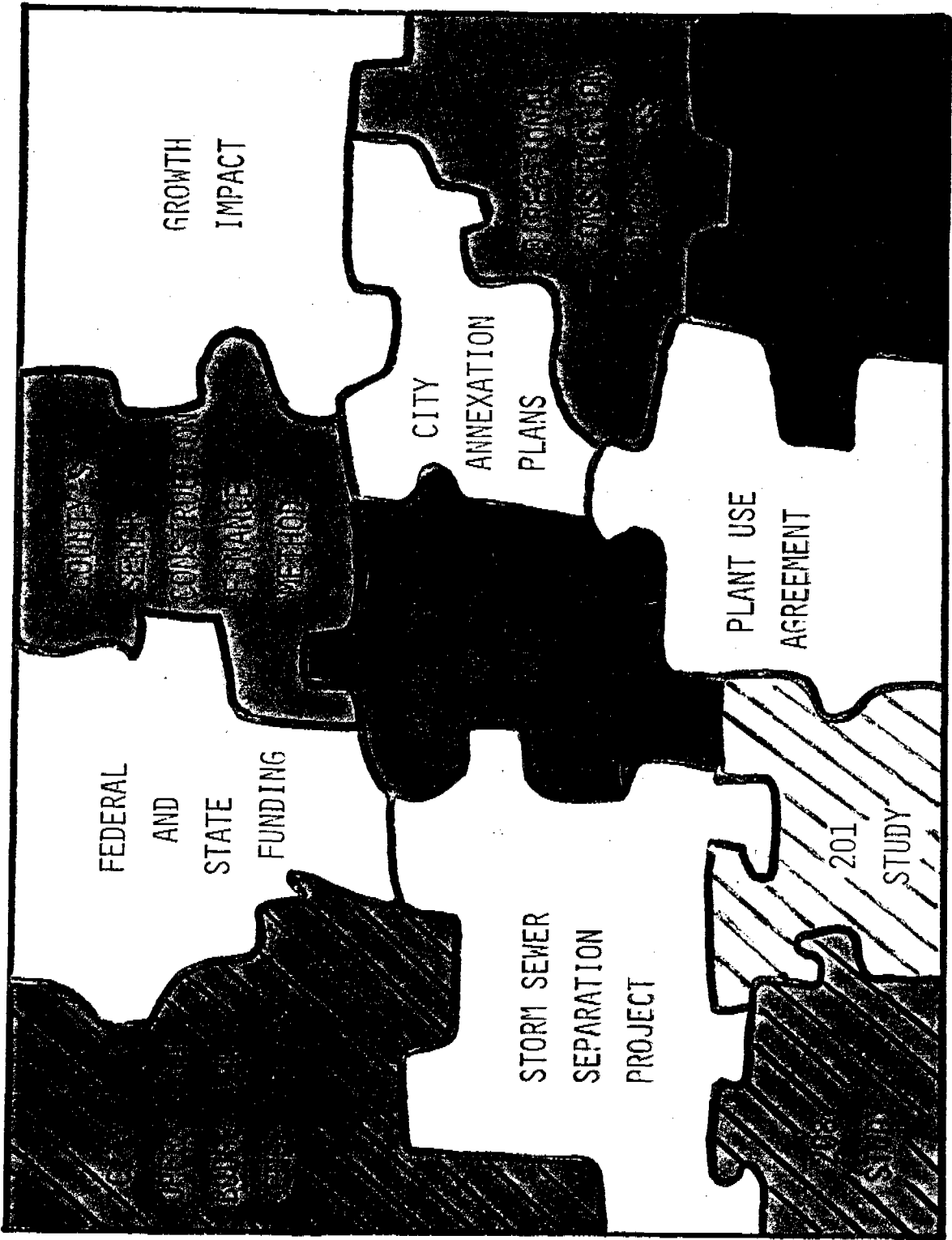
How is the City assured it will receive real dollars? City staff was concerned that 15 years hence the dollars we would receive from the County would be of much less value than today's dollars, unless the County agreed to some type of indexing. The Seattle implicit price deflator was thus used in the calculation of annual payments. If, for example, the price on a specific year to be paid to the City was \$300,000, and the implicit price deflator for that year was 7%, the County would pay us 107% of the calculated value, or \$321,000. In this way, applying that calculation each year, we are assured of receiving constant value dollars for this capacity.

Are there other rules that apply? The major other rule which will apply is the requirement that the County provide "Industrial pretreatment" for any effluent entering our plant from their system in violation of the EPA standards which would be deemed detrimental to the plant's operation.

Conclusion:

There is no right or wrong to negotiating this type of contract, and we are searching for that elusive method of determining a "fair price." Both staff of City and County feel that the pricing system we have settled upon meets both the City goals and the County goals. I will readily admit we have not received for the 10 million gallons capacity the maximum amount of money which it might bring in a different market. We have, however, other goals besides maximizing our return on this plant. The long-run benefit to all of the citizens of the Spokane area from this contract far exceeds that differential.

TJ/mk



City and County Wastewater Management Agreement

AMENDMENT #1

1. GENERAL

This amendment to the City and County Management Agreement dated December 11, 1980, provides for the acquisition cost and schedule for payment for County use of the City's interceptor system and waste treatment facilities as outlined in Section VI and VII of the Agreement.

This amendment also establishes the basic methodology of allocating costs between the City and County for modifications to the existing City facilities and for the expansion of those facilities.

2. ACQUISITION PROCEDURES FOR EXISTING FACILITIES

Supporting documentation and calculations for the County's acquisition costs of the City's Wastewater Treatment Plant and Interceptor Facilities established are on file at both the City and County Utilities Departments.

A. Wastewater Treatment Plant

<u>Acquisition Capacity</u>	10 MGD
<u>Acquisition Cost</u>	\$5,177,138 (Dec. 31, 1985 purchase cost)
<u>Payment Period</u>	15 years

B. INTERCEPTOR FACILITIES

<u>Location</u>	Interceptor lines from the intersection of Havana & Hartson to the City Sewage Treatment Plant
<u>Acquisition Cost</u>	\$602,571 (Dec. 31, 1985 purchase cost)
<u>Payment Period</u>	15 years

C. PAYMENT SCHEDULE

The payment schedule provides for a purchase price for the plant and interceptor identified in A. and B. above of \$5,779,709 on December 31, 1985. The County shall make the minimum annual payments for a fifteen (15) year period in accordance with the following schedule. The County, at its discretion, may accelerate the schedule. The annual payment made will be modified by the change in the Seattle Implicit Price Deflator (IPD). The base of the IPD will be January 1985 = 100. Each year the payment due will be increased by the percent (%) change from the January 1985 IPD until the full amount is paid as adjusted by the IPD.

Payment Schedule

<u>Date</u>	<u>% of Total Acquisition</u> (Minimum Amount)	
12/31/85	1	\$ 57,797
12/31/86	1	57,797
12/31/87	2	115,594
12/31/88	2	115,594
12/31/89	4	231,188
12/31/90	8	462,376
12/31/91	8	462,376
12/31/92	8	462,376
12/31/93	8	462,376
12/31/94	8	462,376
12/31/95	10	577,971
12/31/96	10	577,971
12/31/97	10	577,971
12/31/98	10	577,971
12/31/99	10	577,975
		<u>5,779,709</u>

D. ACQUISITION OF ADDITIONAL INTERCEPTOR CAPACITY

Acquisition of additional interceptor capacity from the City will be established at the time the City's sewage treatment plant requires expansion from 44 MGD. The same general principles used to develop the interceptor acquisition costs outlined herein, will be utilized to establish future capacity costs.

- E. The Wastewater Utility Advisory Committee provided for in Article VIII of the December 11, 1980 Agreement shall review this payment schedule in 1985 and at least every three years thereafter to recommend modification, if any, to achieve the objectives of the CWMP.

3. MODIFICATION OF EXISTING CITY WASTEWATER TREATMENT PLANT

The following will be used by the City and County in allocating future costs associated with modifying or expanding the Regional Wastewater Treatment Plant.

- A. The existing Regional Wastewater Treatment Plant has a 44 MGD capacity. The City and County Agreement provides for 10 MGD of that capacity to be reserved for County use and the remaining 34 MGD for City use. Modifications to the existing plant to respond to existing water quality requirements will be shared on a proportionate basis based on the ratio of 10 MGD to 34 MGD.
- B. Expansion of the 44 MGD plant to approximately 62 MGD is anticipated and defined in the City's Facility Plan. At the time expansion is considered, the County and City will independently determine their future treatment plant capacity needs. The expansion costs will be allocated based upon the County and City's respective share of the total expansion volume. Each utility will be responsible for arranging for financing of their respective share, unless other joint arrangements are made.
- C. If water quality conditions require that seasonal land disposal or other capital facility improvements are necessary, in addition to the expansion of the existing facility from 44 MGD to 62 MGD, and provided that the additional treatment is only specified for flows in excess of 44 MGD, then the same proportionate financing responsibility, as identified in paragraph B, will prevail.
- D. Operation and maintenance cost will be allocated based upon the actual flow as specified in the Agreement. If the operation and maintenance cost is assignable to a specific unit process, i.e., land disposal, the O&M allocation for that unit process will follow the proportionate allocation of capital cost assignments.

E. The cost of special Water Quality Monitoring Studies and/or in-lake treatment of algae in lieu of capital improvement programs, will be based upon the benefits received. Any reduction in capital improvement costs will equate to benefits that can be allocated as discussed in paragraph D. If the benefits received are associated with O&M, the cost will be incorporated into the rate structure and allocated according to proportionate flow measures.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed by their proper officers on the 17 day of August, 1982.

SPOKANE COUNTY, WASHINGTON

By John R. McBride
Chairman

Attest:

By Deanne L. Montgomery
Deputy

Approved as to Form:

Prosecuting Attorney
James L. ...
Deputy

Adopted by the City Council of the City of Spokane, Washington, at a lawful open public meeting thereof this 30th day of August, 1982.

CITY OF SPOKANE, WASHINGTON

By James E. Chase
MAYOR

ATTEST:

Manilyn J. Montgomery
City Clerk

Gregory A. Smith
Ass't City Attorney

BEFORE THE BOARD OF COUNTY COMMISSIONERS OF
SPOKANE COUNTY, WASHINGTON

IN THE MATTER OF EXECUTING)
AN AMENDMENT TO THE CITY/)
COUNTY WASTE WATER MANAGEMENT) R E S O L U T I O N
AGREEMENT)
)

WHEREAS, pursuant to the provisions of the Revised Code of Washington Section 36.32.120(6) the Board of County Commissioners of Spokane County has the care of County property and the management of County funds and business; and

WHEREAS, pursuant to the provisions of RCW Chapter 36.94, the Board of County Commissioners of Spokane County may construct, operate and maintain sewage systems within Spokane County; and

WHEREAS, pursuant to the provisions of RCW Chapter 39.34 two or more public entities may jointly cooperate between each other to perform functions which each may individually legally perform; and

WHEREAS, pursuant to the above cited statutory sections, the City of Spokane and County of Spokane executed an Interlocal Cooperation Agreement which agreement provides for the acquisition by Spokane County of 10 million gallons per day of waste water treatment capacity at the City's waste water treatment plant as well as the County's use of the interceptor facilities of the City of Spokane; and

WHEREAS, the City of Spokane and County of Spokane have now mutually negotiated the acquisition costs to be paid by the County of Spokane to the City for 10 million gallons per day of treatment plant capacity and the use of the City's interceptor facilities;

NOW, THEREFORE, BE IT RESOLVED by the Board of County Commissioners of Spokane County that either the Chairman of the Board of County Commissioners of Spokane County or a majority of the Board be and is hereby authorized to execute that document entitled "City and County Waste Water Management Agreement, Amendment No. 1," pursuant to which under certain terms and conditions the City of Spokane and County of Spokane will mutually agree on the acquisition costs and schedule of payments for the County's use of the City's interceptor system and waste water treatment facilities in conjunction with the County's sewer project.

BE IT FURTHER RESOLVED by the Board of County Commissioners of Spokane County that an environmental impact document has already been prepared in conjunction with the Spokane Valley Sewer Interceptor project, which environmental document has been considered and reviewed by the Board of

County Commissioners in conjunction with the execution of this amendment agreement.

PASSED and ADOPTED this 17 day of August, 1982.

BOARD OF COUNTY COMMISSIONERS
OF SPOKANE COUNTY, WASHINGTON

John R. McBride
Robert J. Leonard
Frank Johnson

ATTEST:

WILLIAM E. DONAHUE
Clerk of the Board

By:

Sumner Montague
Deputy Clerk