



TOWN COUNCIL
Work Session
Cape Charles Civic Center
June 4, 2015
Immediately Following Public Hearing

At 6:08 p.m., Mayor George Proto, having established a quorum, called to order the Town Council Work Session. In addition to Mayor Proto, present were Vice Mayor Bannon, Councilmen Bennett, Brown, Godwin and Wendell, and Councilwoman Natali. Also in attendance were Town Manager Brent Manuel, Assistant Town Manager Bob Panek, Town Clerk Libby Hume and Cape Charles Business Association President Andrew Follmer. There were a number of department heads, police officers and eight (8) members of the public in attendance.

Mayor Proto announced the business for the evening would be to review information regarding the PSA/Regional Wastewater Service and discuss the draft agreement proposed by the PSA Board.

Assistant Town Manager Bob Panek began with a presentation regarding the background of the project and PSA, treatment cost, town surcharge, potential revenue from the PSA, facility fee and plant expansion, and the way ahead. (Please see attached.)

There was some discussion regarding a possible conflict of interest with Councilman Wendell owning property in the Phase 1 area proposed by the PSA, however a formal opinion had not been requested from the commonwealth attorney. The majority of Council agreed to allow Councilman Wendell to participate in the discussion but not be permitted to vote until an opinion had been obtained.

There was much discussion regarding the following: i) whether to charge an upfront facility fee for properties connecting to the town's wastewater treatment plant (WWTP) and the possible tax implications for the residents of the County and a special tax district proposed by the PSA for the properties within the Phase 1 area. Councilwoman Natali pointed out that the Town would be providing one connection to the PSA and individual property owners would work with the PSA for their connections; ii) the price of treatment offered by the town at \$0.015 per gallon which equated to about a 26% surcharge over cost vs. the PSA's proposal of \$0.013 per gallon which equated to about a 10% surcharge; iii) the capacity of the WWTP which had the same capacity of the older plant that was replaced by mandate, the use of facility fees for future expansion of the plant, and the triggering of the Annexation Agreement at the time of plant expansion; and iv) how to move forward.

Mayor Proto stated that an agreement with the County was necessary regarding the Town Edge area and possible development along Route 13 adding that the proposed Historic Town Overlay District language drafted by the Cape Charles Planning Commission needed to be discussed with the County Board of Supervisors.

Mayor Proto polled Council regarding their preference regarding the facility fee and the surcharge amount. The majority of the Council preferred collection of the facility fees up front and a surcharge of 26.3%, resulting in an initial price of \$0.015 per gallon.

Mayor Proto polled Council regarding the need for an agreement on the overlay district with the County prior to moving forward with the PSA agreement. Council was in unanimous

agreement regarding the necessity of reaching an agreement on the overlay district. Councilwoman Natali stated that the Town needed to contact the County Administrator or Board of Supervisors regarding this issue.

Motion made by Councilwoman Natali, seconded by Councilman Brown, to adjourn the Town Council Work Session. The motion was approved by unanimous vote.

Mayor Proto

Town Clerk

Town Council Work Session September 11, 2014

Regional Wastewater System
Southern Node, Commercial, Phase 1
Potential Agreement with Public Service Authority

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What We Will Cover

- Background
- Treatment Cost
- Revenue and Affect on Rates
- Facility Fee and Plant Expansion
- Potential Agreement
- Way Ahead

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Background

- Ordinance 20100621 – Cape Charles joins the Eastern Shore of Virginia Public Service Authority (PSA).
- July 2010 – Southern Node Preliminary Engineering Report (Cheriton & surrounding area); CC plant is least costly alternative for treatment.
- Sufficient grant funding not available to yield affordable usage fees.
- PSA develops smaller Phase 1 project to serve about 70 commercial properties around US 13/SR 184 intersection.
- PSA confirms that CC is interested in providing treatment service.
- PSA subcommittee formed (BOS, PSA, CC) to negotiate agreement.

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Treatment Cost Estimates

- Dec. 2013 - CC provided treatment cost estimate of \$0.01215/gallon.
- Jul. 2014 – PSA subcommittee requested CC to update the estimate.
- Aug. 2014 – Treatment cost estimate of \$0.01187/gallon.
- Excludes pump stations and collection system operation & maint.
- Based on 150,000 gpd average flow.

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Treatment Cost Return on Investment

- Should treatment cost to PSA be adjusted to provide a return on the Cape Charles investment in the new WWTP?
- WWTP cost (eng. & const.) \$18.9 M
 - WQIF Grant - 7.9
 - ARRA Grant - 6.1
 - CWRLF Loan (0%/20 yrs) \$ 4.9 M
- \$4.9M/20 = \$245,000/yr

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Treatment Cost Return on Investment (ROI)

- Design capacity = 250,000 gpd
- Estimated PSA flow of 15,000 gpd = 6% (15,000/250,000)
- Annual debt service related to PSA = \$14,700 (\$245,000 x 0.06)
- 5% ROI = \$735; 10% ROI = \$1,470
- Cost base for rate update = \$650,128
 - @5% ROI \$650,128 + \$735/\$650,128 = 1.0011
 \$0.01187/gal x 1.0011 = \$0.01188/gal
 - @10% ROI \$650,128 + \$1,470/\$650,128 = 1.0023
 \$0.01187/gal x 1.0023 = \$0.0119/gal

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Treatment Cost CC Commercial Fees

- Minimum, 0-2,000 gallons - \$63.27/month
- 2,001 – 10,000 gallons - \$3.90 per 1,000
- Treatment cost is about 63% of total wastewater rate.

<u>Gallons</u>	<u>Fee</u>	<u>Per Gallon</u>	<u>WWTP</u>	<u>Per Gallon</u>
1	\$63.27	\$63.27	0.63	\$39.86
2,000	63.27	0.0316	0.63	0.0199
3,000	67.17	0.0224	0.63	0.0141
4,000	71.07	0.0178	0.63	0.0112
5,000	74.97	0.0150	0.63	0.0094

- CC rate structure front loads fixed costs into the minimum fee.

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Revenue and Affect on Rates Potential Revenue from PSA

- 10,000 gpd x \$0.012 x 365 = \$43,800 per year
- 15,000 gpd x \$0.012 x 365 = \$65,700 per year
- 20,000 gpd x \$0.012 x 365 = \$87,600 per year
- 25,000 gpd x \$0.012 x 365 = \$109,500 per year

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Revenue and Affect on Rates Offsetting Fixed Costs

- About 75% of WWTP operating costs are fixed.
- PSA revenue offsets fixed costs otherwise included in CC rates.
- Example at 15,000 gpd:

$$\$65,700 \times 0.75 = \$49,275$$
- Potential affect on CC rate:

$$\$49,275 / \$1,032,605 = 0.048$$

$$\$63.27 \times 0.952 = \$60.23 \text{ (about \$36 less per year)}$$
- Reduction of rate dependent on PSA flow.

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Facility Fee and Plant Expansion PSA Facility Fee

- Facility Fee calculation for existing buildings using proposed new CC Class 2 factors and formula total about \$223K.
- Existing buildings have on-site sewage disposal systems.
- The fee will increase the capital cost of the project. Will need to be recouped either through taxes or incorporated in service fee.
- Could make other alternatives more financially attractive.

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Facility Fee and Plant Expansion Capacity & Expansion

- Existing permitted capacity is 250,000 GPD.
- About 100,000 GPD capacity remaining, 800 Equiv. Res. Conn. (ERCs).
- Doubling capacity to 500K GPD would cost about \$5M.
- Incremental expansion to 350-375 GPD costs much less, maybe \$2M.
- Also, need reuse pipeline to Bay Creek; \$0.5M.
- Required capacity at full build-out is about 750,000 GPD.

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Facility Fee and Plant Expansion Funding Sources

- If 20,000 assigned to PSA, 80,000 GPD remain, or 640 ERCs.
- $640 \times \$6,600 = \4.2M reserved for plant expansion.
- Reaching existing capacity triggers Annexation Agreement cost sharing provision for expansion.
- At existing capacity customer base increases by about 2/3, generating significant increase in usage fees. A portion could be utilized.
- 640 more buildings @ \$400K = \$256M increase in tax base; at current rate \$700K additional annual tax revenue. A portion could be utilized.

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Potential Agreement Elements

- Scope of Services – Treatment, etc.
- Sewer Use Regulations
- Maximum Volume and Adjustment
- Price of Services
- Procedure to Adjust Prices
- Billing and Payment for Services
- Facility Fees
- Term of Agreement
- Termination Procedures

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Potential Agreement Goals

- Promote economic development mutually beneficial to both Town and County.
 - Maintain consistency with Town and County comprehensive plans.
 - Prevent development on US 13 from negatively impacting the Town, both from a business and environmental perspective.
 - Historic Town Overlay District recommended by Planning Commission.
- Reduce Town wastewater bill by \$X/month.
 - Treatment service generates some amount.
 - Additional services (billing, maintenance) to PSA could generate more.
- Prepare financially for future wastewater and water infrastructure expansion.

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Way Ahead

Downside of Not Partnering

- No additional revenue.
- No rate reduction.
- No influence on US13/SR184 development (proposed overlay).
- Likely that County/PSA would build small treatment plant; CC taxpayers would participate through County real property tax.
- No economy of scale for infrastructure, operations, etc.
- Development will still occur with either on-site or mass drain fields atop the aquifer.

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Way Ahead

Council Action

- Consider treatment rate & elements/goals of an agreement with PSA.
- Provide guidance and empower Town PSA subcommittee members to negotiate draft agreement (September 18 Council meeting).
- Draft agreement will be reviewed and approved by Council.
- Or, decide not to proceed and dissolve PSA subcommittee.

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