BSC-04b

Colchester Board of Sewer Commissioners
March 8, 2022

ACTION SHEET

Wastewater FY23 Budget Hearing

RECOMMENDED ACTION: The Colchester Board of Sewer Commissioners moves to set a public hearing on April 12, 2022 to consider for approval the FY23 Wastewater Budget in the amount of $1,672,540, the FY23 proposed User Rate of $0.00564 per gallon, and the FY23 proposed Capacity Rate of $1.39855 per gallon, per the recommendation contained in a memo from Karen Adams, Technical Services Manager, dated March 1, 2022.

Memo

From the Department of Public Works

To: Colchester Board of Sewer Commissioners

Cc: Aaron Frank, Town Manager

Bryan Osborne, Public Works Director

From: Karen Adams, Technical Services Manager

Date: March 1, 2022

Re: FY23 Proposed Wastewater Budget

Issue: Shall the Colchester Board of Sewer Commissioners set a public hearing on April 12, 2022 to consider for approval the FY23 Wastewater Budget in the amount of $1,672,540; the proposed FY23 Usage Rate of $0.00564 per gallon; and the proposed FY23 Capacity Rate of $1.39855 per gallon, per the recommendation contained in a memo from Karen Adams, Technical Services Manager?

Background: The Wastewater Fund operates as an enterprise fund. Accordingly, revenues are generated from user fees that are paid only by those properties that are connected to the sewer system, or currently hold capacity within the system.

The Town's wastewater system currently serves approximately 15% of the overall community with a total of 131 properties served by the system through 247 separate user accounts. The service areas include primarily the Rt. 15 corridor, the Exit 16 Commercial District, the Severance Corners Growth Center, the Creek Farm Plaza area in the Village, and a small residential sub-division on Malletts Bay Avenue near the Winooski City line.

There are a number of budget factors that influence the overall wastewater budget.

1. The majority of the Town's wastewater is treated in the City of South Burlington under a 1991 agreement. This agreement contains a provision whereby the Town would be required to participate in an expansion of the City's Wastewater Treatment Facility when the City needed additional capacity. This upgrade was completed in 2013. The Town's share of the overall project was $12.1 million. This required an annual payment to the City of $742,310 for a period of 20 years. With a recent one-year suspension of SRF Loan payments by the State of Vermont, the remaining payments have been re-amortized to $796,531 with the last payment scheduled for FY33.

2. Inflow and infiltration continues to create additional operating expenses with no offsetting revenues. Inflow is from direct connections between stormwater systems such as catch basins, roof drains, and other drains intended to collect rainwater, and the sanitary sewer system. Infiltration is from ground water seeping into cracks or breaks within the sanitary sewer system. These sources are quite dispersed and difficult to locate. All of this extraneous flow ends up at the treatment plant. The wastewater fund cannot support additional investigation of this issue at this time until the fund balance recovers significantly.

3. Changes in property use can have a significant impact on the finances of the sewer system, as reductions in water consumption can result in sharp declines in revenues.

4. When first created, the Town's sewer system had a limited number of users, while also having significant capital debt and overall expenses. This is not unusual for a system in its infancy. However to maintain rates at a reasonable level, only about 80% of the systems costs were being recovered through the rate structure. The remaining revenues needed had historically been provided annually by a reduction in fund balance, until FY22 when a rate modifier was introduced to gradually bring revenues in line with expenses over five years, reducing reliance on fund balance. FY23's rate modifier is proposed to be 88%, up from 84% in FY22.

The proposed FY23 Wastewater Budget is $1,672,540 representing a $66,176 or 4.1% increase over FY22. This difference is associated with increases in primary and pre-treatment costs, along with increased flows expected as a result of continued recovery from COVID. The proposed FY23 Wastewater Budget also contains $128,776 to be transferred to the Town's General Fund for labor and administrative costs associated with operating the Wastewater Division, as wastewater has no dedicated staff of its own.

The overall budget contains both variable and fixed costs. Variable costs are influenced by flows. These include both primary and pre-treatment, as well as utility costs. These variable costs are divided by total water consumption to produce the usage rate. All other costs are generally insensitive to flows and are considered fixed costs. These costs are divided by the total capacity issued to users to produce the capacity rate. After applying a rate modifier of 88%, the FY23 proposed usage rate is $0.00564/gallon while the proposed capacity rate is $1.39855/gallon.

Staff Recommendation: It is recommended that the Colchester Board of Sewer Commissioners set a public hearing on April 12, 2022 to consider for approval the FY23 Wastewater Budget in the amount of $1,672,540; the proposed FY23 Usage Rate of $0.00564 per gallon; and the proposed FY23 Capacity Rate of $1.39855 per gallon, per the recommendation contained in a memo from Karen Adams, DPW Technical Service Manager, dated March 1, 2022.