



Frequently Asked Questions City of Tillamook Wastewater Treatment Plant June 2010

1. Why did we need to upgrade our old plant?

The old wastewater treatment plant included components that were built in the 1940's and were upgraded through the 1970's. Most of these buildings, tanks, and equipment were designed to last for 20 years; therefore, much of the old equipment was far beyond its design life. In addition to failing equipment, the old wastewater treatment plant, could not meet the stricter water quality standards that the City is required to meet in 2010. During previous upgrades, there were federal funds available. However, since the 1980s, there has not been any available money for plants that are well maintained.

2. Why is the rate increase necessary?

The rate increase is necessary to cover the costs for the treatment plant upgrade that was mandated by Oregon Department of Environmental Quality. The revenue generated from current sewer rates is not sufficient to pay current costs that include Operation and Maintenance (O&M) costs and debt service for treatment plant improvements. In addition, the City must begin to replace critical/aging sewer lines and pump stations that are underground. Finally, additional maintenance (flushing, root control, video inspection of pipe, etc.) and system improvements (replacement of aging pipe and lift stations) are needed to meet Oregon DEQ requirements.

3. How do other cities pay for their utility upgrades?

Utilities such as water, sewer, gas and electricity are considered as "Enterprise" services. They are generally unsupported by government, as a whole, and expenses are paid by the users. Differing from utilities, road improvements are primarily paid for by local, state, and federal taxes. Utilities must rely on user fees, system development 'connection' fees (when growth occurs), special fees, or taxes if they are established by the local government. In most cases where there is minimal new growth, such as the City of Tillamook, the public agencies must rely solely on user fees.

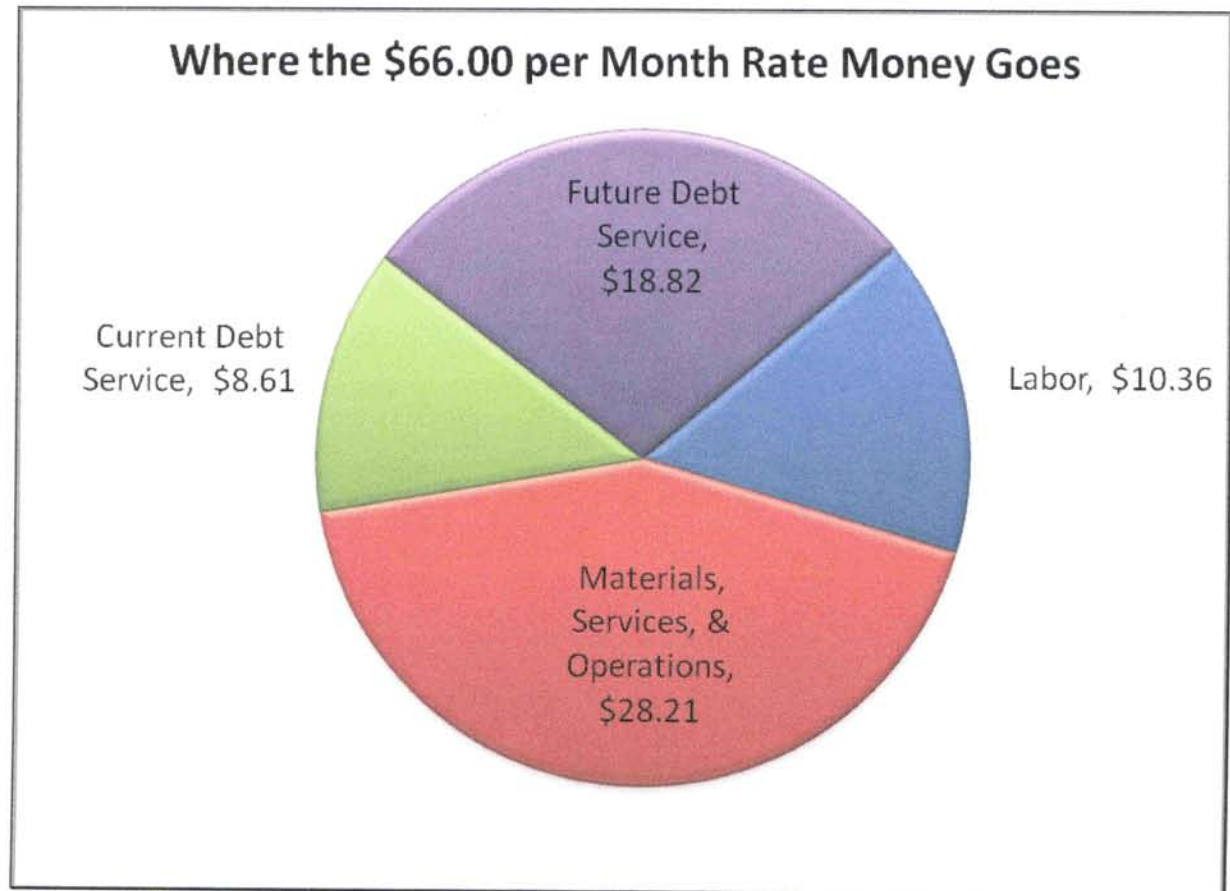
4. How were we able to upgrade our plant?

Fortunately, the City was able to get some grant money (does not have to be repaid) and loan money through the State/Federal programs. Unfortunately, the majority of the funds are loans that need to be paid back over a twenty year period. Even with the low interest rate (2.87%) that the City was able to obtain, the yearly costs are substantial.

5. What do our wastewater rates pay for?

Rates pay salaries of treatment plant staff, equipment maintenance costs, electricity costs, chemical costs, permit costs, some general city-wide overhead support costs, debt service on the loan that covers construction of the wastewater treatment plant, and debt service on loans that paid for previous sewer improvement projects. A breakdown of where your fees go is shown in the pie chart below.

Where the \$66.00 per Month Rate Money Goes



6. How did the City determine how much to increase rates?

Loans from the Oregon Department of Environmental Quality and Oregon Business Department total \$15 million. The debt service on these loans is the principal and interest that the City needs to pay back to the State, and is the primary reason the rates are being increased. The operating cost of the wastewater treatment plant (labor, power, chemicals, and maintenance) is the second largest portion of the sewer rate, and these costs must be covered by sewer rates.

7. Why is the rate increase so large?

The debt service, on the loans, will require that the City pay \$1.2 million the first year, and about \$1.1 million per year after that, which equates to another \$100,000 per month. The first loan payment is expected to be due on September 2011, and it is necessary for the City to begin raising the rates immediately to start collecting money to cover the debt payment.

8. Why is the rate increasing in steps?

The City needs to reach a rate of approximately \$81/month to cover operating costs and debt service. The alternatives are to step up the rate in manageable amounts, or to increase the monthly rate by more than \$30 per month in one step. Making the rate increase in several steps allows users to adjust their budget and plan for the increase.

9. What costs does this rate increase cover?

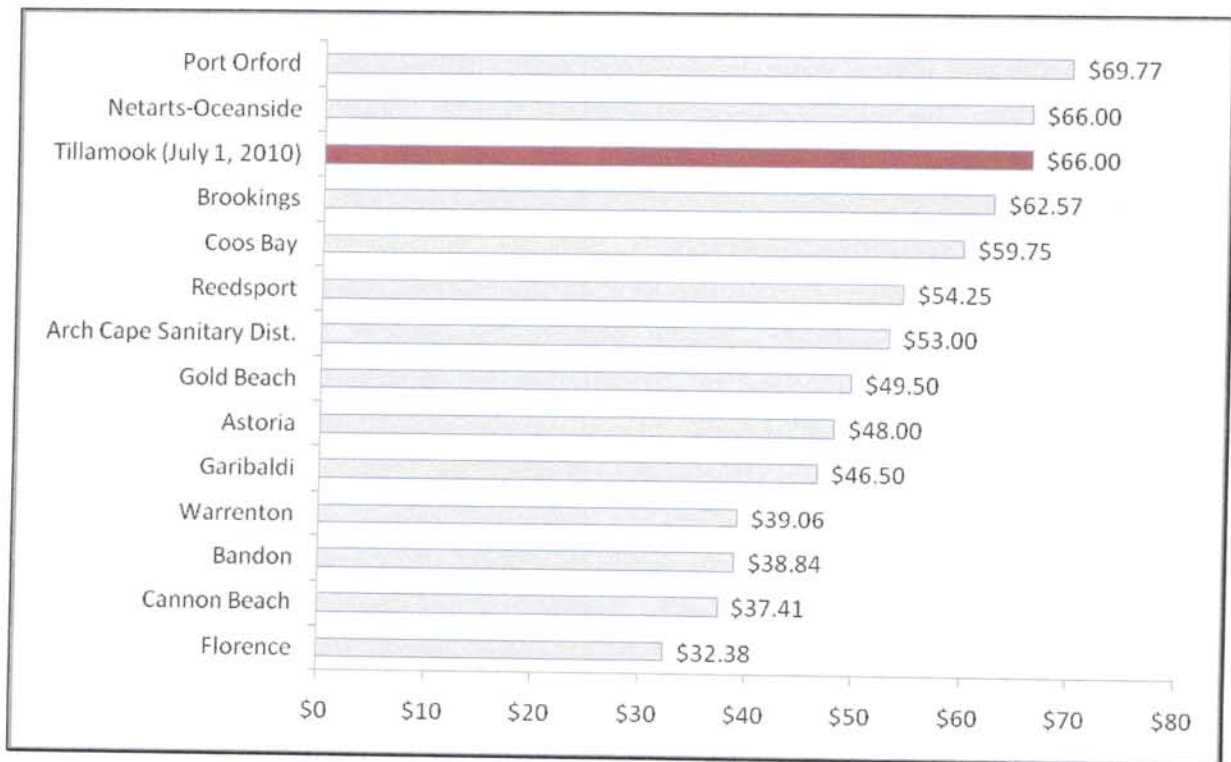
The increase covers primarily debt service for the loans on the wastewater treatment plant upgrades. Some of the fee increase covers increased operating costs that are a result of new plant technologies that require additional operation staff.

10. Will the rates ever go down again?

The loan has a payback period of 20 years; therefore, the rates will not go lower during this time. There are many parts of the wastewater system, including sewer lines, and pump stations that will require upgrades. The City has identified collection system and pump station improvements that need to be made over the next 20 years, and the loans to construct these improvements will likely extend debt service beyond the 20-year window.

11. Are other towns nearby paying this much for their sewer bill?

The average sewer rate in Oregon is \$52 per month. The average sewer rate in the US is \$84 per month. Rates for similar cities in on the Oregon Coast are summarized in the chart below:



12. Are grants available to the City to pay for the wastewater treatment plant?

The City received \$1.5 million in grants from the Oregon Business Department and Oregon Department of Environmental Quality State Revolving Fund Loan Program to pay for a portion of the wastewater treatment plant. We have continued to investigate funding and find that there are no additional grant monies available for Tillamook's wastewater treatment plant.

13. Is everyone in Tillamook paying this increase? Are commercial and industrial users paying this much?

Yes, all users will pay increased rates. The base and commercial user rates effective July 1, 2010 are summarized below:

Inside City Limits		
Single-family residential and multi-family residential (per unit) up to and including 4 units - \$/month		\$ 66.00
Multi-family residential (more than 4 units):	Base charge - \$/month	\$ 264.00
	per unit charge over 4 units - \$/month	\$ 29.50
Commercial (per 1,000 gallons water used)		\$ 17.00
Low Commercial (per 1,000 gallons water used)		\$ 9.00
Industrial (per 1,000 gallons water used)		\$ 10.50
Public (per 1,000 gallons water used)		\$ 8.25
Outside City		
Single-family residential and multi-family residential (per unit) up to and including 4 units - \$/month		\$ 110.00
Multi-family residential (more than 4 units)	Base charge - \$/month	\$ 440.00
	per unit charge over 4 units - \$/month	\$ 50.75
Non-residential or commercial (per 1,000 gallons water used)		\$ 11.75
Other user: public (per 1,000 gallons of water used)		\$ 10.25
Extra Strength		
For all pounds of suspended solids over 2.5 lbs./1,000 gallons of sewage - \$/1,000 lbs.		\$ 1,213.00
For all pounds of BOD over 2.5 lbs./1,000 gallons of sewage - \$/1,000 lbs		\$ 1,879.75

14. When will the new sewer rate take effect?

The proposed Resolution will increase rates effective July 1, 2010.

15. Will there be a public hearing?

Yes, a public hearing will be held at the City Council Meeting at 7:00 PM on June 21, 2010.

16. How long will the new treatment plant last?

The new treatment plant and equipment have a design life of 20 years; however, the majority of the plant structures and equipment should last 40 years. The plant was built to enable the City to expand treatment facilities if it becomes necessary.

17. What other projects will need to be funded in the future?

- Southwest Interceptor Sewer repair/upgrade
- 12th Street Pump Station upgrade
- North Hwy 101 Step Systems upgrades
- Cross Connection (storm water) Corrections
- 3rd Street Sewer Extension
- Correction of miscellaneous sewer infiltration issues

18. Why is the wastewater collection system failing?

Portions of the wastewater collection system (sewers) are nearly 90 years old, and have been in use well past their normal design life. The materials and construction practices at the time these sewers were built have resulted in leaky pipes that allow groundwater into the sewer system. The groundwater leaking into the system causes very high flows at the wastewater treatment plant, and can cause manholes to overflow raw wastewater. The leaks need to be fixed, and some pipes or manholes may need to be replaced.

19. What happens to the wastewater after it is treated?

Treated and disinfected water from the plant flows to a sewer outfall that distributes the effluent into the Trask River at the wastewater treatment plant site. The wastewater mixes thoroughly with the river water, which flows to Tillamook Bay, and eventually to the Pacific Ocean.

20. Who do I contact if I have more questions?

If you have questions, please contact:

Arley Sullivan, Public Works Director, at 503-842-2343
Mark Gervasi, City Manager, at 503-842-2472, ext 3460