

HEBER PUBLIC UTILITY DISTRICT REPORT TO BOARD OF DIRECTORS

MEETING DATE: October 17, 2019

FROM: Laura Fischer, General Manager

SUBJECT: Authorize the preparation of an Engineer's Probable Cost Estimate for Possible New Project to Modify the Wastewater Treatment Plant to Accept Septage from Dumpers.

ISSUE:

Shall the Board of Directors authorize the preparation of an Engineer's Probable Cost Estimate for Possible New Project to Modify the Wastewater Treatment Plant to Accept Septage from Dumpers?

GENERAL MANAGER'S RECOMMENDATION:

It is recommended that the Board of Directors provide direction to the General Manager to negotiate with the customer to pay a portion of the cost for our engineers to develop the Engineer's Probable Cost Estimate before we commit funds to move forward with this project. This would show that the customer is willing to partner with the District to move the project forward.

FISCAL IMPACT: \$30,000 for Engineer's Probable Cost Estimate prepared by The Holt Group. If the project is completed, and the cost of service includes a reasonable period of time to pay for the capital investment, the HPUD could see an increase in sewer revenues.

FY 17-18 and FY 18-19 CAPITAL IMPROVEMENT BUDGET:

The Capital Improvement Project Budget lists the manhole project in FY 2019-20. Funding for the manhole improvement project is included in the Reserve Policy Resolution.

| CAPITAL IMPROVEMENT PROJECTS | | Project Schedule 2019-20 |
|---|--|---|
| Wastewater System Improvement Projects | | |
| Manholes Rehabilitation Project | | 100,300 |
| TOTAL | | 100,300 |

Should the Board determine that this project is viable, funding could be made available from the manhole project and the manhole project could be pushed back to FY 20-21.

DISCUSSION:

Several months ago, I received a meeting request from Mr. Matt Scaroni, owner of Scaroni Farms. His staff wanted to meet with me to discuss the possibility of their company, Alpha Site Logistics, dumping waste from their porta potties at the Heber PUD Wastewater

Treatment Plant. I met with his staff members and heard their request. After that meeting I met with our engineers to determine if the HPUD plant could be modified to allow HPUD to accept septage and what steps needed to be taken to move forward.

My discussion with Jack Holt and Juny Marmolejo included the following:

- What constituents could be present in the septage that could cause us to violate our NPDES permit?
- What additional regulations or changes to the NPDES permit could we expect?
- What capital improvements and modifications would need to be made to the plant?
- What operational changes would need to be made?
- Possible options for HPUD to recover the cost to modify our plant and to cover operations and service.
- Would adding this service require LAFCO approval?

After meeting with our engineers, I met again with representatives from Alpha Site Logistics to share with them our concerns and to find how much volume they will be dumping per month and if they were willing to sign an agreement that they will continue to dump with HPUD even if the other agencies lower their rates. This would ensure we were able to recover our full costs.

I received assurances from Mr. Matt Scaroni that they are interested in dumping at HPUD wastewater treatment plant and that he is not under contract with another agency. They promised to provide HPUD with their dumping records, and they provided them a few days ago.

I asked our engineers what their cost would be to provide HPUD with the probable cost estimate for this project. They stated they would need to define the Plant Improvements (Scope of Work) to complete the Engineers Opinion of Probable Cost. They would need to start by contacting and corresponding with the Regional Water Quality Control Board (RWQCB) per the current NPDES requirements as the sludge treatment process is a significant modification to the wastewater treatment plant.

The RWQCB may require us to conduct various tests and require additional treatment equipment (flowmeter, analyzers, etc.). The project would entail communication with the RWQCB, define the treatment process, establish the design criteria, prepare a schematic drawing, and prepare the Cost Estimate. The cost of these services is estimated to be \$30,000 with a timeline of 120 calendar days. They can complete this work on an hourly basis not to exceed on a time and material basis.

My rough estimates for this project and the cost recovery period are below. Using my rough estimates it will take 4.2 years to recover our full cost to provide the services. There could be an opportunity to have other companies come in and dump at our facility, which would provide additional revenue.

These estimates are not provided by our Engineers. They cannot provide the cost estimates until the full project scope has been determined.

| Accept Septage at HPUD | |
|---|------------------|
| COST ESTIMATES TO COMPLETE PROJECT | |
| Engineers Probable Cost Estimate | 30,000 |
| Design & Bidding | 60,000 |
| Construction Costs | 500,000 |
| Contingency for budget | 25,000 |
| TOTAL | 615,000 |
| Volumes of Septage provided by Alpha Site | |
| January | 165,000 |
| Feb | 125,000 |
| March | 155,000 |
| April | 125,000 |
| May | 90,000 |
| June | 120,000 |
| July | 150,000 |
| August | 110,000 |
| September | 85,000 |
| <i>TOTAL FOR 9 MONTHS</i> | <i>1,125,000</i> |
| PROJECTED FOR 12 MONTHS | 1,500,000 |
| Holtville Charges .11 per gallon | 0.11 |
| Holtville Revenue per year - ESTIMATED | \$ 165,000 |
| Cost Recovery at \$.11 per gallon | |
| Dollars to Recover for project only | 615,000 |
| Number of Gallons Needed for Project Only | 5,590,909 |
| Number of Years to Recover for Project Only | 3.727 |
| Additional Operating Cost per Year ESTIMATED | 20,000 |
| Additional Funds Needed 20,000 @ 3.727 years | 74,545 |
| Number of Years to Recover Project and Operating | 4.179 |

CONCLUSION:

This is a project that was not in our capital improvement program of projects. A customer requested the District consider accepting septage from their business and it will cost the District \$30,000 to determine what changes would need to be made and what possible changes to our NPDES permit could be expected. The customer has not indicated he would pay for any or all of the cost associated with the Engineer's Probable Cost Estimate.

Staff would also need to determine a cost of service and develop an agreement between the customer and HPUD requiring them to continue using HPUD sewer plant for dumping septage over an appropriate number of years to ensure we recovered the cost to provide the service.

Staff recommends giving direction to the General Manager to negotiate with the customer to pay for a portion of the Engineer's Probable Cost Estimate before we commit funds to move forward with this project.

ALTERNATIVES:

- 1) Authorize the preparation of the Engineer's Probable Cost Estimate to determine the scope and cost to accept septage at the HPUD wastewater treatment plant.
- 2) Provide direction to the General Manager to negotiate specific terms with the customer requesting these services.
- 3) Do not approve the project.
- 4) Provide alternative direction to staff.

Respectfully Submitted,

Laura Fischer, General Manager