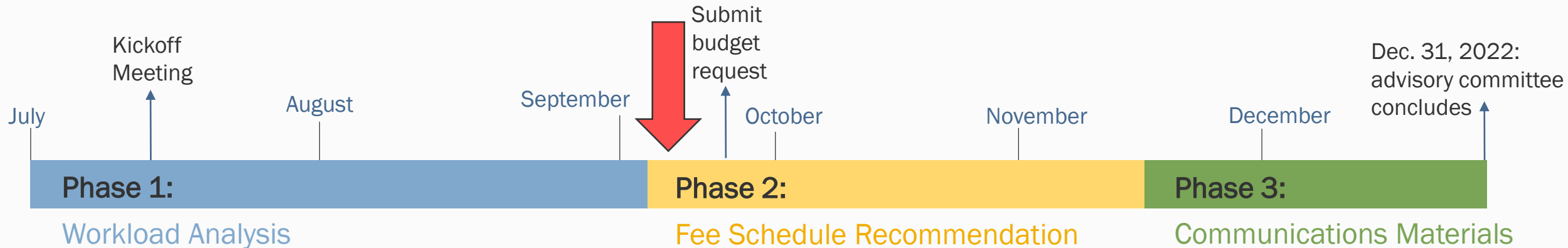


Wastewater Permit Fees Stakeholder Advisory Committee

Meeting 4

September 6th, 2022

Advisory Committee Timeline & Deliverables



Deliverable #1: Workload Analysis

- Assess the staffing level necessary in the WQ permit fee program to support adequate levels of service to permittees
- Includes: FTE level & corresponding revenue level

Deliverable #2: Fee Schedule Recommendation

Recommend a fee structure for the program to reduce municipal wastewater permit backlogs and recover the cost of administering the permits.

Deliverable #3: Communication Materials (optional)

Collaboratively create materials for consistent messaging and necessary background to explain the fee increase to stakeholders.

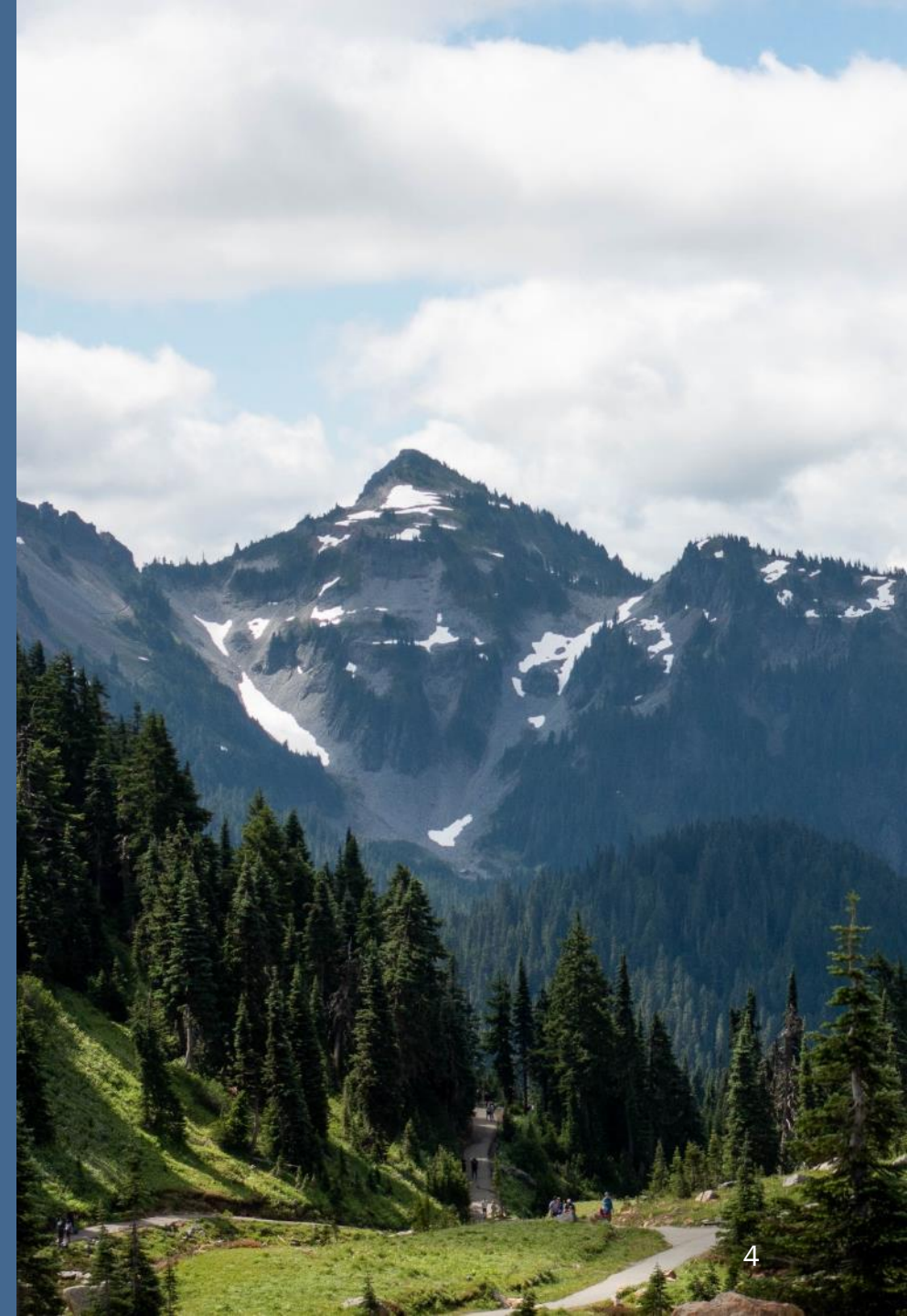
Meeting Agenda

- 1 Approval of Meeting Minutes
- 2 Revenue Target
- 3 How Would 10:1 Change the Current Fee Structure?
- 4 Different Ways Fees are Structured
- 5 Your Feedback on Fee Structure
 - a Structure
 - b Phasing In
 - c Fairness



Approval of Meeting Minutes

Note the inclusion of Recommendations



Decisions and Recommendations

10:1 Staffing Ratio

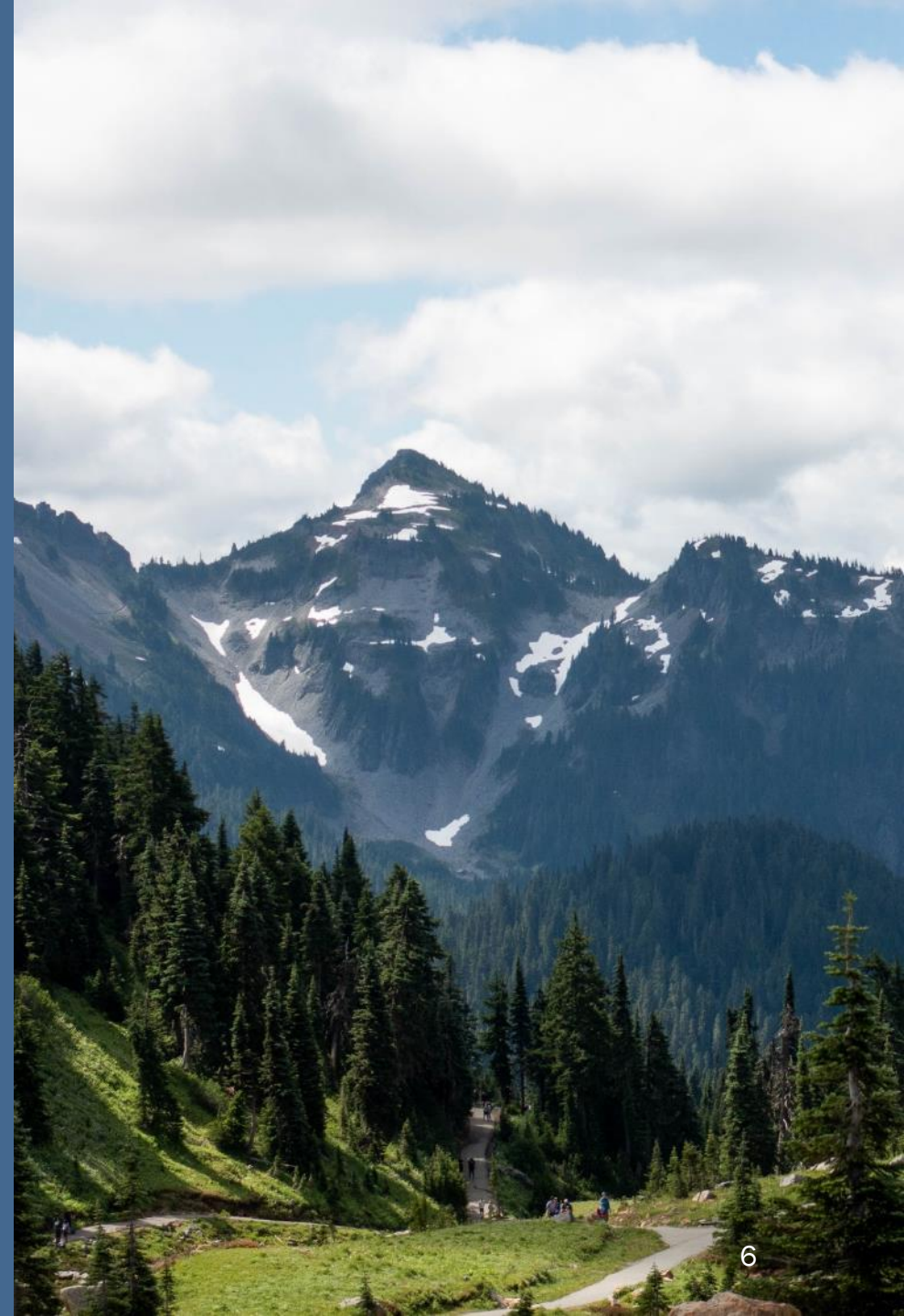
- With 12 members voting, general consensus was met with everyone showing either enthusiastic or lukewarm support.
- Identified as the staffing level necessary to support adequate levels of service to permittees.
- Based on macro-data incorporating all variables and has been shown to work in the NWRO over time.
- Includes an additional coordinator position to optimize statewide permitting efficiency.

Annual Check-ins

- Starting in 2023 through 2027.
- Ecology will report on hiring and progress made towards reducing the permit backlog and permittees can share their level of technical assistance they are receiving.
- Group will track if the staffing level and fee structure are operating as intended to reduce the backlog.



Revenue Target



Annual Revenue Target

Current spending	\$6 M +/-
New Staff to reach 10 permits/staff	\$2.5 M
Actual inflation on existing costs at 3%	\$0.2 M
TOTAL ANNUAL REVENUE NEED	\$8.7 M

Inflation adjustment needs to cover actual inflation for FY 2021-22. Inflation for FY 2023-24 will be incorporated in FY25 fee rule updates.

Current spending methodology is being refined, and won't be complete in the near future. This number could change over time – good topic for future check-ins?

Annual Revenue Gap

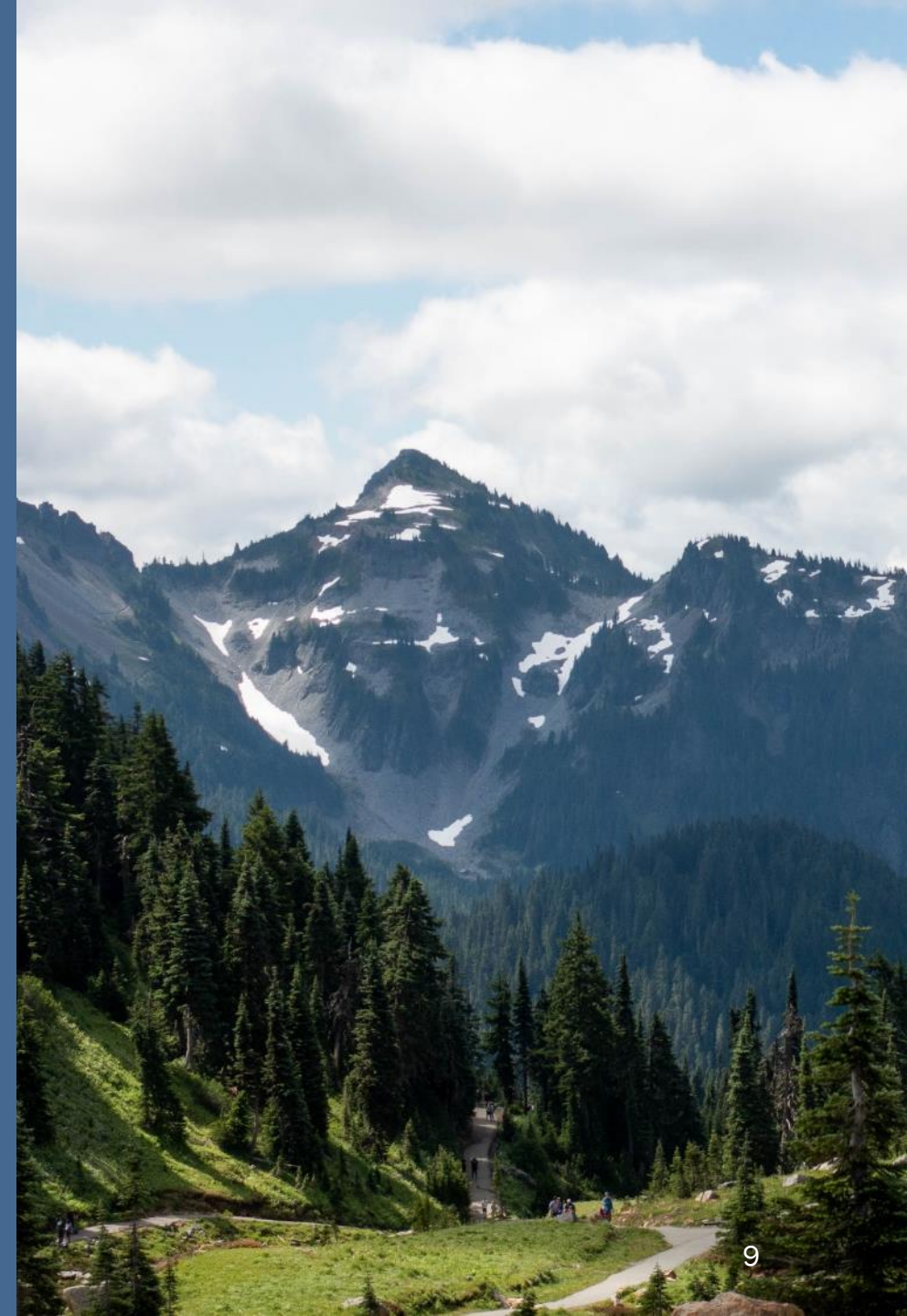
Total Annual Revenue Need	\$8.7 M
Current Annual Revenue	\$4.8 M
ANNUAL REVENUE GAP	\$3.9 M

Of the annual gap

- \$2.7 M is for new staff and inflation, and needs to be recovered in 2023 (\$7.5 M total)
- \$1.2 M will eliminate use of funds from other sources, and can be phased in



How Would 10:1 Change the Current Fee Structure?



Hypothetical Fee Scenarios

How the fee would change *under its current structure*, in 2024 dollars. We are making a fee rule recommendation for FY24, which goes into effect July 1, 2023.

Scenario	Monthly Fee	Revenue Produced	
Current	\$0.18 per REU	\$ 4.8 M	
All At Once	\$0.33 per REU	\$ 8.7 M	
Phased	\$0.28 per REU	\$ 7.5 M	FY24 and 25
	\$0.31 per REU	\$ 8.2 M	FY26 and 27
	\$0.33 per REU	\$ 8.7 M	FY28 and 29

Fee rule updates in FY26 and 28 would likely include further inflation adjustments. 3% annual inflation results in increases of about \$0.01 every year.

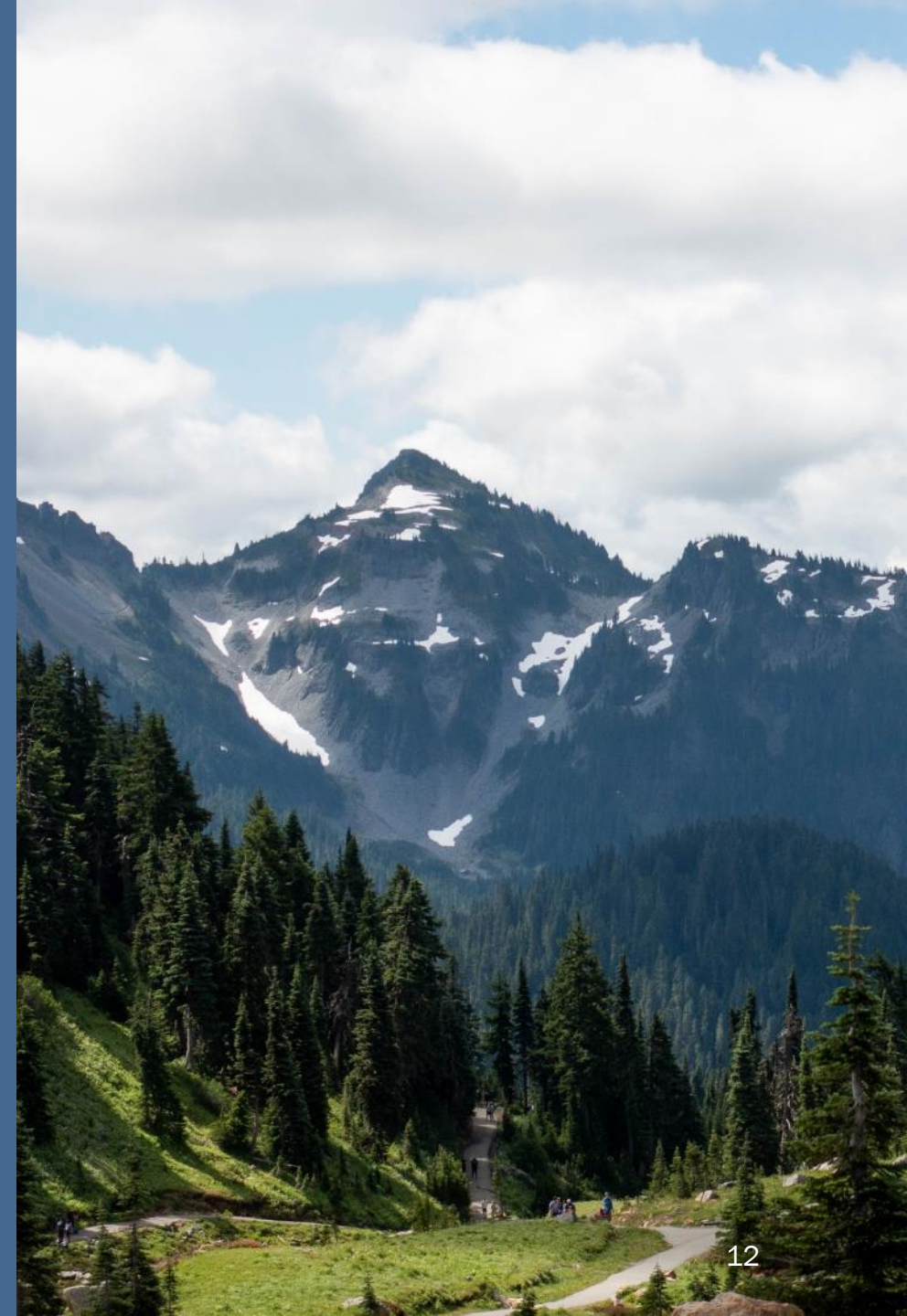
Changing the Fee Structure

We don't have to follow the current fee structure. We have discretion around fee:

- **Structure** - what unit it is based on
- **Rate** - whether different categories pay different amounts
- **Timing** - whether increases go into full effect immediately or are phased in



Different Ways Fees are Structured - Intro



Different Ways Fees are Structured

What units are used as a basis for different fees within a permit category:

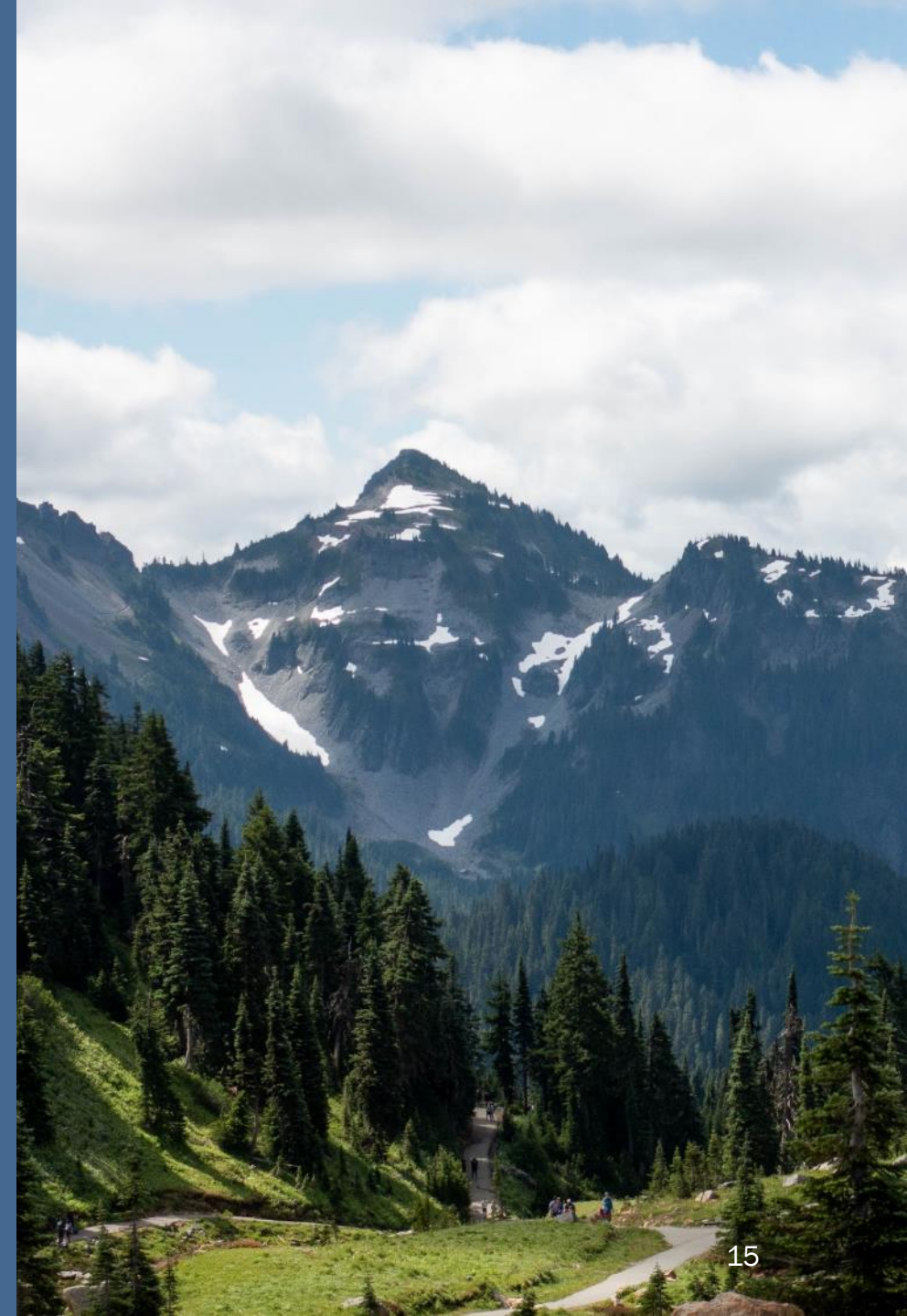
- Precise, Use-based: REUs, flow, volume
- Categorical tiers based on size: acreage, revenue
- Industry type (large facilities like oil refineries)
- Risk (rare)
- Body of work (pre-treatment, reclaimed water)

REUs vs. Flow based

- REU based rates are used for municipal facilities that primarily serve residential customers
- # of REUs are self reported by permittees
- Calculating REUs is labor intensive for both the permittees and the Fee Unit
- Flow based rates are used for municipal facilities that do not primarily serve residential customers
- We do have flow based data for all permittees
- Switching from an REU to a flow based rate structure is possible



Your Feedback on Fee Structure



Exploring Options

Rather than assuming the current structure is the best one, these next questions ask you what options you'd like us to flesh out. We'll bring them back at a future meeting. Asking to see something doesn't mean we are endorsing it, it just means we're curious about its potential use.

What makes a fee structure good? Typically, as with taxation, it's things like:

- Easy to understand, explain, and administer
- Fair (costs are proportionate to population, workload, wealth/ability to pay, or benefits received... many ways to define this)
- Anything else? Do we want to define our values around fairness?

Structure

What would you like to see used as the basis of the fee? Ideas of a better tool/approach than REU?

- REUs x x x – lines up with local billing
- Flow x x - more stable than REU when considering commercial/industrial fees... local utility has discretion about relative burden (residential/industrial)... can be out of alignment if plant needs a large capacity boost or just got one (use categories?)
- Prefer categories? Y ? Y Y Y Y (worth exploring)

Phasing In Fee Increases

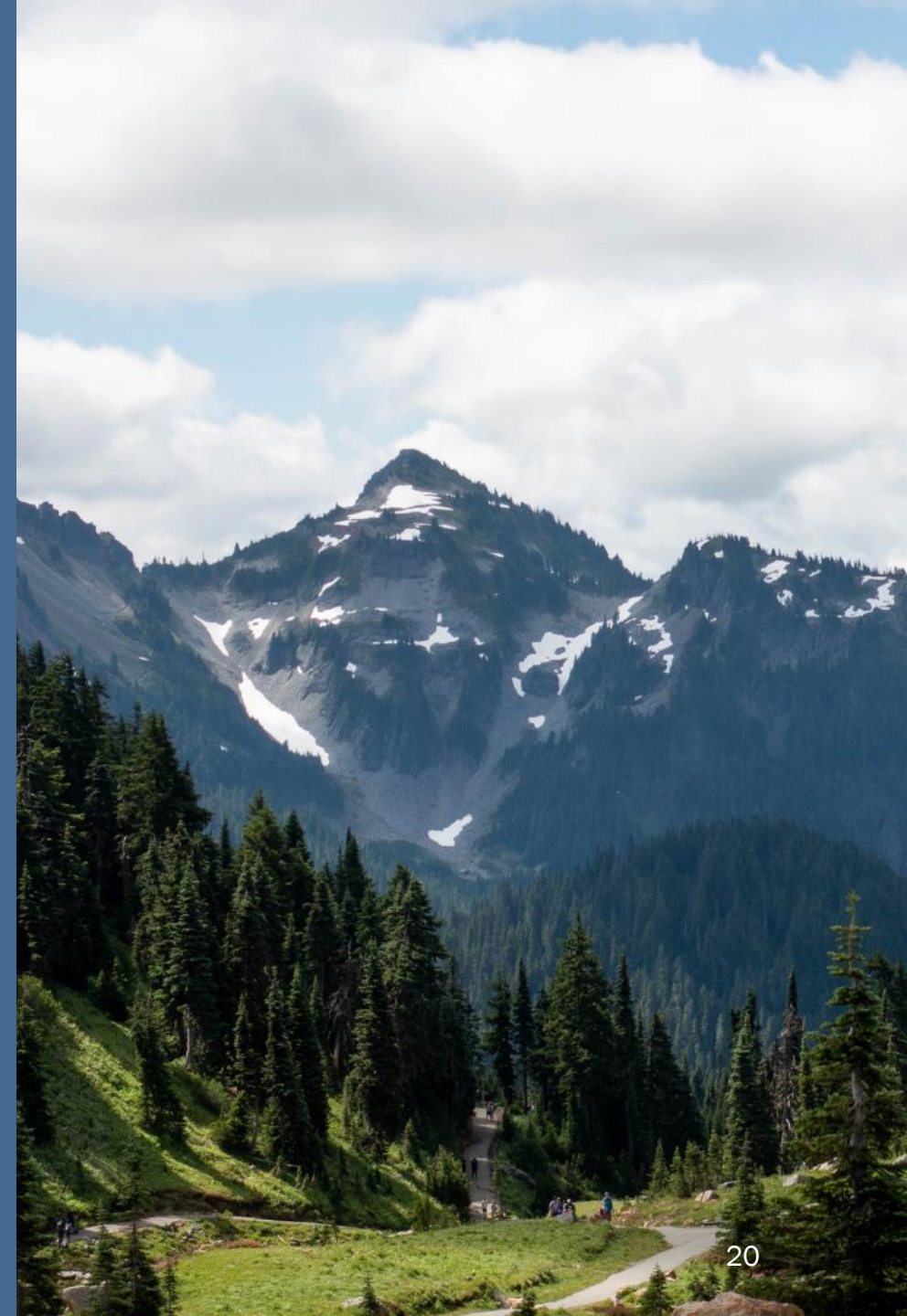
- Phasing the rate increases seems helpful... is there any reason we wouldn't do it?
- No reason not to – phase them in.

Rates and Fairness

- Consider – Why would we charge a higher or lower rate to one group or another? What's the goal?
- Ability to Pay vs. Relative Workload
- Current situation: King County pays more than what it costs to work on its permits; other permittees pay less
- Same rate for everyone x x x ? ? ?
- Concerns: EJ; overall environmental impact; ability to pay
- Ways to incentivize source control programs, delegated pre-treatment, and reclaimed water?



Next Meeting



Next Steps

Explore both REU and Flow-based

Explore using categories/tiers (and without)

Bring flow-based equivalent to slide 10 (both actual flow and design flow)

Tiers – bring histograms to define categories, bring some examples based on logic of flow-based fee model

Create spreadsheet that can take tier definitions and adjust fees on the spot.

How are virtual meetings going for you?

- Are the materials we send out in advance helpful for you to prepare? What additional materials could we send that would be helpful?
- Are you able to participate easily during the meeting? What are some ways we could improve remote facilitation?



Thank you!

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