

INDUSTRIAL WASTEWATER PRETREATMENT PROGRAM FEES

Annual Permit Fees -There are four industrial-strength dischargers that have been issued a permit that allows them to discharge to the wastewater collection and treatment system. Because of the type or volume of their wastewater, these dischargers are subject to terms or conditions set forth in their individual permits. The Annual Permit fees are established as follows

Annual Permit Fees by Industrial Discharger	
Dr. Pepper Snapple Group (DPSG)	\$8,447
Plastipak	\$6,607
Federal Bureau of Prisons (FPOP)	\$6,607
Intl Aerospace Coatings (IAC)	\$4,613
TOTAL	\$26,274

Non-Compliance Fees - Dischargers who do not comply with their discharge permits may be subject to enforcement-specific fees that vary by compliance issue and enforcement type. These fees will be assessed on an as-needed basis as follows:

Noncompliance and Pretreatment Plan Check Fees	
Noncompliance Fee for Each Sample Analysis Indicating Violation(s) of limits in permit	\$480
Noncompliance Fee for Each Sample Analysis Not Submitted by Discharger in Compliance with VWD's Program	\$480

Administrative Order Fees - Dischargers who do not comply with their discharge permits may be subject to enforcement-specific fees that vary by compliance issue and enforcement type. These fees will be assessed on an as-needed basis as follows:

Administrative Orders	
Stop Work Order	\$800
Compliance Order	\$800
Cease and Desist Order	\$1,280
Cease Discharge Order	\$1,280
Termination of Service	\$2,560

Enforcement Action Fees - Dischargers who do not comply with their discharge permits may be subject to enforcement-specific fees that vary by compliance issue and enforcement type. These fees will be assessed on an as-needed basis as follows:

Enforcement Action Fees	
Enforcement Actions:	
Inspection	\$1,900
NOV/Inspection	\$3,180
Obtaining Inspection Warrant	\$320
Compliance Meeting	\$1,600
Enforcement Hearing	\$2,560

Pretreatment Plan Check Fees - Plan check fees will be assessed when District staff or its contractor completes plan check activities for IPP facilities. These fees will be assessed on an as-needed basis, and will reflect incurred cost for work and materials, due to the variability in providing these services. These types of Plan Check fees apply to the IPP as follows:

Pretreatment Plan Check Fees	
Facility:	
Sampling Manhole	Incurred cost
Discharge Flowmeter	Incurred cost
Gravity Separation Interceptor	Incurred cost
Other Pretreatment Facilities	Incurred cost

CITY OF VICTORVILLE

Report for:

Industrial Wastewater Pretreatment Program Fee Analysis

June 2018

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Section 1. Purpose and Overview of Study

The City of Victorville (City) retained NBS to conduct a study to develop user and regulatory fees for its Industrial Wastewater Pretreatment Program (IPP, Program). Broadly, the purpose of a user fee is to enable the City to recover costs it incurs to provide a specific service to an individual or entity in response to that individual's request or regulated action. Collection of user fees reduces the burden on general rate revenues that otherwise would be used to fund that individual service. User fees are only collected from individuals requesting or causing a service listed on the adopted schedule of fees. Resultant fee amounts are based on the amount of time spent by agency personnel and/or contractors to provide service. Local government has authorization to establish these fees through Article XIII, Section 1 of the California Constitution, which limits fees to the estimated, reasonable cost of providing the service.

The City is also required by the United States Environmental Protection Agency (EPA) to have a defined revenue stream to fund the Program. The fees developed in this study are intended to comply with this requirement and support the monitoring activities of the IPP.

These fees will apply only to those customers that require a permit by the City to discharge wastewater to the City's wastewater collection and treatment system due to the type or volume of wastewater they produce. The City, in conjunction with its contractor, Woodard and Curran, provided the hourly labor rates, time estimates and cost of required lab analysis for each service provided in the fee schedule activity.

The scope of this Study did not evaluate fines, penalties, or other monetary charges imposed as a result of a violation of law.

Section 2. Cost of Service Analysis

Legal Foundation

It is generally accepted in California that local governments are granted the authority to impose user and regulatory fees for services and activities they provide through provisions of the State Constitution. First, they are granted the ability to perform broad activities related to their local policing power and other service authority as defined in Article XI, Sections 7 and 9. Secondly, local governments have the ability to establish fees for service through the framework defined in the Article XIIIC, Section 1.

Under the Article XIIIC, Section 1 framework, a fee may not exceed the estimated, reasonable cost of providing the service or performing the activity. For a fee to qualify as such, it must relate to a service or activity under the control of the individual or entity on which the fee is imposed. In other words, the service or the underlying action causing the agency to perform the service is either discretionary and/or is subject to regulation.

Additionally, under the US Code of Federal Regulations (CFR), 40 CFR 403.8(f)(3), the treatment plant must have sufficient resources to carry out the authorities and procedures of the IPP. As noted earlier, a defined revenue stream, as opposed to a renewable budget line item, is typically required by EPA, and the mechanism proposed for the City of Victorville is an annual fee on dischargers who, because of the type or volume of their wastewater, have been issued a wastewater discharge permit by the City of Victorville. The annual fee covers routine monitoring activities required under 40 CFR 403.8(f)(2) and reflects conditions when dischargers are in compliance. The monitoring activities supported by the fee consists of the following:

- Review and evaluation of monthly and quarterly reports from each discharger, comparing reported data and activities to permit conditions
- Review of annual reports, as required, from each discharger
- Annual inspection of each discharger, to ensure that activities and wastewaters are consistent with those described in the discharger's wastewater discharge application
- Annual sampling of the wastewater from each discharger to confirm reported wastewater characteristics

Fee Establishment

The City's User and Regulatory fees developed in this study require specific actions on the part of City staff to provide the service or conduct the activity. Because labor is an underlying factor in these activities, the full cost of service was most appropriately expressed as a fully burdened cost per labor hour. This labor rate – expressed as an individual rate for City staff and contractor's time involved in the provision of services studied – served as the basis for further quantifying the cost of providing individual services and activities.

The City provided a fully burdened labor rate for the staff and contractor that provides service through the IPP. Because the City's fees are flat fees, they correspond directly to the average full cost of service result, with the exception of Pretreatment Plan Check Fees, which will be based on actual costs incurred.

The City's fee schedule should include the list of fully burdened rates used in the Study. Documenting these rates in the fee schedule provides an opportunity for the City Council to approve rates for cost recovery under a "time and materials" approach. It also provides clear publication of those rates, so fee payers of any

uniquely determined fee can reference the amounts. The fee schedule should provide language that supports special forms of cost recovery for activities and services not contemplated by the adopted master fee schedule. These rare instances use the published rates to estimate a flat fee, or bill on an hourly basis, at the discretion of the director of the department.

User fees considered fall into three primary categories. Annual Permit Fees, Non-Compliance and Regulatory Action Fees and Pretreatment Plan Check fee. The annual permit fee developed in this study recovers the cost of **routine monitoring** activities required under 40 CFR 403.8(f)(2). The permit fees reflect only monitoring costs and do not include the fees needed should a discharger not be in compliance. Additional funding to cover costs associated with dischargers who are not in compliance with their permits is provided by enforcement-specific fees that vary by compliance issue and enforcement type. These fees will be assessed on an as-needed basis as described below in the “Non-Compliance and Enforcement Action Fees” section. Pretreatment Plan Check fees will be assessed based upon incurred cost of providing the plan check service. All fees were developed based on estimated City staff and contractor time required for each service listed in the fee schedule.

Annual Permit Fees

The City currently has four Industrial Users that have been issued a permit that allows them to discharge industrial wastewater to the City’s wastewater collection and treatment system. Because of the type or volume of their wastewater, these users are subject to terms and conditions set forth in their individual permits.

The monitoring activities supported by the Annual Permit Fee consists of the following:

- Review and evaluation of monthly and quarterly reports from each discharger, comparing reported data and activities to permit conditions
- Review of annual reports, as required, from each discharger
- Annual inspection of each discharger, to ensure that activities and wastewaters are consistent with those described in the discharger’s wastewater discharge application
- Annual sampling of the wastewater from each discharger to confirm reported wastewater characteristics

The fees developed reflect the City staff and contractor¹ time dedicated to these activities, in addition to the cost of lab analysis when required. The City, in conjunction with Woodard and Curran, provided the hourly labor rates, time estimates and cost of required lab analysis for each service provided in the IPP Fee Schedule. Labor costs consist of operations and programmatic activities as follows:

- Operations – monthly report review, site inspections, communications and technical support, and lab analysis.
- Programmatic – project management and annual reporting.

¹ Woodard and Curran is the City’s contractor that manages the IPP.

Figure 1 shows the calculated annual permit fees for each industrial user.

Figure 1. Annual Permit Fees

Annual Permit Fees by Industrial User	
Dr. Pepper Snapple Group (DPSG)	\$8,447
Plastipak	\$6,607
Federal Bureau of Prisons (FBOP)	\$6,607
Intl Aerospace Coatings (IAC)	\$4,613

Non-Compliance, Administrative Order and Enforcement Action Fees

As noted earlier, dischargers who do not comply with their discharge permits may be subject to enforcement-specific fees that vary by compliance issue and enforcement type. These fees will be assessed on an as-needed basis.

The costs for each category of fee are as follows:

1. Noncompliance and Pretreatment Plan Check Fees – contractor costs related to lab analysis, for each sample analysis indicating violation(s) of limits in permit, or for sample analysis submitted by user in compliance with the IPP.
2. Administrative Orders – costs related to contractor time for data review and correspondence for each type of administrative order.
3. Enforcement Actions consist of the following activities for which fees were developed:
 - Inspection – cost for labor time of plant manager and operator, collection of sample(s) and lab analysis.
 - Notice of Violation (NOV)/Inspection - cost of contractor time and labor costs for plant manager and operator, collection of sample(s) and lab analysis.
 - Obtaining Inspection Warrant – cost of contractor time for obtaining the warrant.
 - Compliance Meeting – cost of contractor time to provide technical support to City.
 - Enforcement Hearing – cost of contractor time to provide technical support to City.

Non-Compliance, Administrative Order and Enforcement Action fees are shown in Figure 2.

Figure 2. Non-Compliance and Enforcement Action Fees

Noncompliance and Pretreatment Plan Check Fees	
Noncompliance Fee for Each Sample Analysis indicating violation(s) of limits in permit.	\$480
Noncompliance Fee for Each Sample Analysis Not Submitted by User in Compliance with VWD's Program ¹	\$480
Administrative Orders	
Stop Work Order	\$800
Compliance Order	\$800
Cease and Desist Order	\$1,280
Cease Discharge Order	\$1,280
Termination of Service	\$2,560
Enforcement Action Fees Penalty Fees	
Enforcement Actions:	
Inspection	\$1,900
NOV/Inspection	\$3,180
Obtaining Inspection Warrant	\$320
Compliance Meeting	\$1,600
Enforcement Hearing	\$2,560

Pretreatment Plan Check Fees

Plan Check fees will be assessed when City staff or its contractor completes plan check activities for IPP facilities. These fees will be assessed on an as-needed basis, and will reflect incurred cost for work and materials, due the variability in providing these services. These types of Plan Check fees that apply to the IPP are shown in Figure 3.

Figure 3. Plan Check Fees

Pretreatment Plan Check Fees	
Facility:	
Sampling Manhole	Incurred cost
Discharge Flowmeter	Incurred cost
Gravity Separation Interceptor	Incurred cost
Other Pretreatment Facilities	Incurred cost

The Appendix to this report provides a list of all proposed fee categories and identifies the estimated total cost of providing services for each fee for service studied. The amounts listed in the "Total Fee" column represent the total cost of providing each service, computed by multiplying City staff's and contractor's estimated amount of time, required to complete each service, by the fully burdened hourly rate, plus any costs for lab analysis, travel, etc.

Estimated Revenue

As stated earlier in this report, the fees developed in this study assume that all dischargers will remain in compliance with the City's IPP, and no fees will be collected for non-compliance, enforcement actions, administrative orders or plan check. The only fees that are assumed to be collected are the annual permit fees from the four industrial users, as shown in **Figure 1**. These fees are expected to provide approximately \$26,000 in revenue to the City's Industrial Wastewater Treatment Plant and as shown in **Figure 4** offset the expected costs.

Figure 4. FY 2018/19 IPP Costs vs. Revenue

Annual Permit Fee Revenue by Industrial User	FY 2018/19				
	Estimated Costs			Total Cost	Estimated Revenue
	Labor	Travel	Lab Analysis		
Dr. Pepper Snapple Group (DPSG)	\$6,947	\$1,000	\$500	\$8,447	\$8,447
Plastipak	\$5,107	\$1,000	\$500	\$6,607	\$6,607
Federal Bureau of Prisons (FBOP)	\$5,107	\$1,000	\$500	\$6,607	\$6,607
Intl Aerospace Coatings (IAC)	\$4,113	\$0	\$500	\$4,613	\$4,613
Total	\$21,274	\$3,000	\$2,000	\$26,274	\$26,274

Section 3. Recommendations and Next Steps

Recommendations and Next Steps

NBS recommends that the City take the following actions:

- **Approve and Accept this Study:** NBS recommends the City Council formally approve and adopt this Study, and proceed with implementing the new IPP fees. This will provide documentation of the study and the basis for adopting the new fees.
- **Implement New Industrial Pretreatment Program Fees:** Based on the analysis presented in this report, the City should implement the new IPP fees, as shown in Figures 1, 2 and 3 and include a list of the fully burdened rates used for this study.
- **Annually Review Rates, Fees and Revenue:** Any time an Agency adopts new rates and/or fees, they should be periodically reviewed — even more so when changes in the customer base occur, new capital facilities are planned, and/or significant repair and replacements projects are undertaken. The City should consider adjusting these user and regulatory fees on an annual basis to at least keep pace with the cost of inflation. A common practice in California is to apply an annual Consumer Price Index adjustment. Conducting a *user fee study* is not an annual requirement; it becomes worthwhile over time as significant shifts in organization, local practices, legislative values, or legal requirements change. This will help ensure the revenue generated from the fees is sufficient to cover the cost of the program and that benefitting customers bear their fair share of costs of the City's wastewater system.

As a final note in this study, it is worth acknowledging the path that fees in general have taken in California. The public demands ever more precise and equitable accounting of the basis for governmental fees and a greater say in when and how they are imposed. It is inevitable that user and regulatory fees will demand an even greater level of analysis and supporting data to meet the public's evolving expectations. Technology systems will play an increased and significant role in an agency's ability to accomplish this. As the City proceeds in the years to come, specifically in the update, replacement, or acquisition of new financial and data management systems or software, it is recommended that the City research how new systems might also help document its fee related responsibilities, in areas such as the tracking of staff time at a project or case level, and the tracking of project workload for each fee category.

Principal Assumptions and Considerations

In preparing this report and the recommendations included herein, NBS has relied on a number of principal assumptions and considerations with regard to financial matters, conditions and events that may occur in the future. This information and assumptions, including the City's budgets, time estimate data, and workload information from City staff and contractor, were provided by sources we believe to be reliable; however, NBS has not independently verified such information and assumptions. While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and

circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

Appendix

City of Victonville
Industrial Pretreatment Program Fee Analysis

Fee Description	Estimated No. of Labor Hours for Each Activity					Other Costs		Total Fee	Description of Activities
	Construction (Professional Fee/Retainer)	Water Manager	Plant Manager	Operator	Lab Costs	Contractor/Travel Costs			
Full-time General Involvement Labor Rate	\$400.00	\$76.74	\$100.00	\$80.00					
Annual Permit Fee by Industrial User									
DPSS	22.00	4.00	12.00	4.00	\$1,000	\$500	\$5,847	J. Robinson: 12 hrs monthly rept review, 4 hrs site inspection, 6 hrs misc communications, tech support. PM: site inspection (4 hrs), sampling contracting, site visits. Expenses = lab (\$1,000), travel (\$500)	
Programmatic	10.00						\$1,600	Programmatic = project management, annual report	
Total Annual Permit Fee (DPSS)	32.00	4.00	12.00	4.00	\$1,000	\$500	\$6,447		
Plant/peak									
Operations	15.00	4.00	8.00	0.00	\$1,000	\$500	\$5,007	J. Robinson: 8 hrs monthly rept review, 4 hrs site inspection, 3 hrs misc communications, tech support.	
Programmatic	10.00						\$1,600	PM: site inspection, sampling contracting. Expenses = lab (\$1,000), travel (\$500)	
Total Annual Permit Fee (Plant/peak)	25.00	4.00	8.00	0.00	\$1,000	\$500	\$6,607	Programmatic = project management, annual report	
Federal Bureau of Prisons (FBOP)									
Operations	15.00	4.00	8.00	0.00	\$1,000	\$500	\$5,007	J. Robinson: 8 hrs monthly rept review, 4 hrs site inspection, 3 hrs misc communications, tech support.	
Programmatic	10.00						\$1,600	PM: site inspection, site visit, sampling contracting. Expenses = lab (\$1,000), travel (\$500)	
Total Annual Permit Fee (FBOP)	25.00	4.00	8.00	0.00	\$1,000	\$500	\$6,607	Programmatic = project management, annual report	
Ind Aerospace Coatings (IAC)									
Operations	11.00	2.00	6.00	0.00	\$0	\$500	\$9,013	J. Robinson: 6 hrs quarterly rept review, 4 hrs site inspection, 3 hrs misc communications, tech support.	
Programmatic	10.00						\$1,600	PM: site inspection, one site visit. Expenses = travel.	
Total Annual Permit Fee (IAC)	21.00	2.00	6.00	0.00	\$0	\$500	\$4,613	Programmatic = project management, annual report	
Noncompliance and Pretreatment Plan Check Fees									
The following action may incur the following fees payable by the user:									
Noncompliance Fee for Each Sample Analysis Indicating Violation(s) of limits in permit.	3.00	0.00	0.00	0.00	\$0	\$0	\$480	Review and communications	
Noncompliance Fee for Each Sample Analysis Not Submitted by User in Compliance with City's Program	3.00	0.00	0.00	0.00	\$0	\$0	\$480	Review and communications	
Administrative Orders									
Users served with an Administrative Order (Compliance Order, Cease and Desist Order, or Termination of Service) may be subject to one or more of the following fees, as applicable:									
Stop Work Order	5.00	0.00	0.00	0.00	\$0	\$0	\$800	Data review and correspondence support	
Compliance Order	5.00	0.00	0.00	0.00	\$0	\$0	\$800	Data review and correspondence support	
Cease and Desist Order	8.00	0.00	0.00	0.00	\$0	\$0	\$1,280	Data review and correspondence support	
Cease Discharge Order	8.00	0.00	0.00	0.00	\$0	\$0	\$1,280	Data review and correspondence support	
Termination of Service	16.00	0.00	0.00	0.00	\$0	\$0	\$2,560	Data review and correspondence support	
Enforcement Action Fees									
The following enforcement actions may entail the following fees payable by the user subject to the enforcement actions in the Enforcement Response Plan (ERP):									
Enforcement Actions:									
Inspection	0.00	0.00	5.00	5.00	\$1,000	\$0	\$1,900	Sampling and analysis by laboratory. Collection costs included. Not all inspection will include sampling.	
NOV/Inspection	8.00	0.00	5.00	5.00	\$1,000	\$0	\$9,180	Sampling and analysis by laboratory. Collection costs included. Not all inspection will include sampling.	
Obtaining Inspection Warrant	2.00	0.00	0.00	0.00	\$0	\$0	\$320	City to obtain warrant	
Compliance Meeting	10.00	0.00	0.00	0.00	\$0	\$0	\$1,600	Technical support to City	
Enforcement Hearing	16.00	0.00	0.00	0.00	\$0	\$0	\$2,560	Technical support to City	
Pretreatment Plan Check Fees									
Users shall be subject to the following fees for review of construction drawings for proposed monitoring and treatment facilities:									
Facility									
Sampling Manhole	0.00	0.00	0.00	0.00	\$0	\$0	Incurred costs		
Discharge Flowmeter	0.00	0.00	0.00	0.00	\$0	\$0	Incurred costs		
Gravity Separation Interceptor	0.00	0.00	0.00	0.00	\$0	\$0	Incurred costs		
Other Pretreatment Facilities	0.00	0.00	0.00	0.00	\$0	\$0	Incurred costs		