STAFF REPORT
To: City Council
From: Jay T. Mazalewski
Meeting Date: 07/21/2026

PUBLIC WORKS DEPARTMENT

ACTION ITEM: Wastewater Treatment Plant Budget-Victor's Share of Operational Cost

PURPOSE & SUMMARY

Consider which FY2027 budget line items qualify as **operational costs** and should therefore be included in the operational charges billed to the City of Victor. The purpose of this review is to maintain full budget and operational transparency while ensuring both cities contribute a fair and equitable share toward the facility's ongoing operating expenses.

Six (6) line items are highlighted on the attached 2027 proposed expense summary for council to discuss. These items have NOT previously been included as part of the operational costs that are billed to Victor. While preparing the 2027 budget current staff questioned why these have not been historically included in the shared operational cost and therefore would like council direction on how to proceed.

Account Title	WASTEWATER FUND	FY 2027 Proposed Budget	Notes
EXPENSE - WWTP			
5285111	COUNCIL SALARIES AND WAGES	13,438	*Should this be a shared operational expense?
5285131	HEALTH INSURANCE	87,612	*Excludes Council Healthcare - Should this be a shared operational expense?
5285132	RETIREMENT	29,577	*Excldues Council Retirement - Should this be a shared operational expense?
5285211	POLICE SERVICES	6,750	*Should this be a shared operational expense?
5285240	TRAINING & TRAVEL	2,500	*Should this be a shared operational expense?
5285640	OUTREACH	15,000	*Should this be a shared operational expense?

Additionally, Council should consider how the City of Driggs should bill the City of Victor for the operational expenses (treatment) in fiscal year 2027.

Currently and historically, Victor is billed quarterly for operational expenses (see above) based on the percentage of flow they have contributed to the facility for that quarter. This percentage has historically hovered around 45%. This provides a true operational cost allocation for the previous quarter's flow and expenses; however, this billing process takes additional staff time and is not what is contemplated in the current Inter-City Agreement for Wastewater Treatment Services.

The agreement indicates that Victor should be billed monthly at a set rate per 1,000 gallons that is equal to rate charged to the City of Driggs residents. This fee is to be established and approved annually by resolution by both city's (typically part of the fee resolution). Additionally, the agreement states that Capacity Limits and Capacity Charges should be set in writing, again this has not been completed to this date.

Council should discuss how Victor is to be billed in fiscal 2027.

ATTACHMENTS

- WWTP 2027 Expense Budget
- Pgs 4-6 Interagency Agreement

FINANCIAL REVIEW

The inclusion of the highlighted budget items will increase the FY2027 estimated revenue from Victor by approximately $24,000.

POTENTIAL MOTION:

1. I move to include the following line items in the FY2027 as operational expenses associated with the wastewater treatment facility.
2. Discussion
3. Move to amend (to add or modify approval conditions) or move to table
4. Move the previous question (to limit debate)
5. Vote

Account Title	WASTEWATER FUND	FY25 Prior YR Budget	FY26 Adopted Budget	**FY27 (2026-27) PROPOSED Budget**	***Operational Expenses***		**Notes**
					Driggs Portion	*Victor Portion*	
EXPENSE - WWTP					*55%*	*45%*	
5285110	SALARIES AND WAGES	106,459	212,276	233,864	*128,625*	*105,239*	
5285111	COUNCIL SALARIES AND WAGES	7,319	7,438	13,438	*13,438*	*0*	***Should this be a shared operational expense?**
5285130	FICA & MEDICARE	8,704	16,808	18,919	*10,405*	*8,513*	
5285131	HEALTH INSURANCE	23,574	75,143	87,612	*53,587*	*34,025*	***Excludes Council Healthcare - Should this be a shared operational expense?**
5285132	RETIREMENT	13,238	26,278	29,577	*17,874*	*11,703*	***Excldues Council Retirement - Should this be a shared operational expense?**
5285200	FEES & CHARGES	0	0	0	*0*	*0*	
5285210	POSTAGE/PUBL/SUPPLIES	1,500	1,000	1,000	*550*	*450*	
5285211	POLICE SERVICES	5,063	6,750	6,750	*6,750*	*0*	***Should this be a shared operational expense?**
5285213	WWTP IT	500	798	5,000	*2,750*	*2,250*	
5285240	TRAINING & TRAVEL	2,500	2,000	2,500	*2,500*	*0*	***Should this be a shared operational expense?**
5285245	SAFETY	1,000	1,500	1,500	*825*	*675*	
5285251	WWTP - ELECTRIC/PROPANE	80,000	80,000	80,000	*44,000*	*36,000*	
5285268	WWTP - TRASH	1,000	1,000	1,000	*550*	*450*	
5285309	ENGINEERING SERVICE	1,957,500	832,000	896,000	*8,250*	*6,750*	15K SKM (Scada) = Shared; *Council to determine how capital engineering is allocate
5285310	LEGAL & PROFESSIONAL	10,125	45,694	13,293	*7,311*	*5,982*	
5285311	WWTP: REPAIRS & MAINTENANCE	180,500	100,000	100,000	*55,000*	*45,000*	
5285312	WWTP CHEMICALS	14,000	5,000	30,000	*16,500*	*13,500*	
5285313	WWTP BIOLOGICAL ENHANCER	12,000	12,000	12,000	*6,600*	*5,400*	
5285320	TELEPHONE	1,800	3,500	2,000	*1,100*	*900*	
5285411	LAB TESTS- WWTP	20,000	40,000	60,000	*33,000*	*27,000*	
5285495	WWTP INTERIM UPGRADES	0	0	0	*0*	*0*	
5285501	EQUIPMENT	4,000	4,000	0	*0*	*0*	
5285610	FACILITIES MAINTENANCE	3,000	12,000	12,000	*6,600*	*5,400*	
5285621	DEQ WWTP LOAN 2014 0%, 20 yrs	397,612	397,612	397,612	*0*	*0*	
5285623	IBB WWTP Bond 2026 XX%, 20 yrs	0	0	0	*0*	*0*	
5285640	OUTREACH	2,500	5,000	15,000	*15,000*	*0*	***Should this be a shared operational expense?**
5285720	BACKHOE TRADE-IN (1/3)	12,500	0	0	*0*	*0*	
5285730	MACHINE EQUIP HIRE	0	0	0	*0*	*0*	
5285732	CONTRACT SERVICES	84,000	95,160	121,160	*66,638*	*54,522*	
5285734	CAPITAL EQUIP PURCHASE ($10K+ Cost)	150,000	1,433,000	23,000	*23,000*	*0*	
5285737	WWTP UPGRADE	0	0	950,000	*0*	*0*	
5285738	CAPITAL (Non-Equip) EXPENDITURES	0	0	0	*0*	*0*	
5285740	SHOP SUPPLIES	2,000	2,500	3,000	*1,650*	*1,350*	
5285790	DEPRECIATION	0	0	0	*0*	*0*	
5285990	MISCELLANEOUS EXPENSE	0	0	0	*0*	*0*	
5285995	CONTINGENCY	0	0	0	*0*	*0*	
	Total Expense - WWTP	3,102,394	3,418,457	3,658,725	*522,503*	*365,109*	

5) **Connections**. Any single connection in excess of ten (10) equivalent residential units made to the trunk line and collection systems outside and inside of the City limits of **Driggs** and **Victor** shall be made only with the express written consent of both cities which consent shall not be unreasonably withheld. If at any time, the Trunk Line reaches its capacity as a result of additional flows, then both cities shall share in the cost of installing larger lines where necessary. The ratio of participation shall be based on the number of equivalent residential units each party has connected to the Trunk Line, which have contributed to the need for a larger line. If the parties hereto are not able to agree on the proportional ratios, an in stream flow calculation shall be taken manually at the point the Trunk Line connects with the **Driggs** system, and the proportional ratios shall be based upon the actual flows, with the cost of such measurement being shared in the same proportions as are determined for the line increase.

6) **Termination - Reimbursement** In the event **Victor** participates in adding capital improvements to the treatment facilities only as indicated above, and then for some reason this Agreement is terminated and Victor no longer uses **Driggs'** Wastewater Facilities, then **Driggs** agrees to reimburse Victor for its share of said added capital improvement costs less depreciation based upon the average estimated life of said improvements and the number of years said improvements have been in existence as of the date **Victor** discontinues its use of **Driggs'** Wastewater Facilities.

7) **Service Area Restrictions**. **Driggs** agrees to accept the wastewater passed through the measuring device at the Major Collection Point and from said point to be solely responsible for conveying said wastewater to the **Driggs** Wastewater Facilities and for the treatment and disposal of said wastewater. However, **Driggs** reserves the right to accept or not to accept wastewater from **Victor** if it is determined that the source of any wastewater is in violation of any applicable State or Federal Regulations. **Driggs** shall be responsible for insuring that all sources within the **Driggs** system are in compliance as well, and will have the right to reject any and all wastewater, whether from **Victor** or **Driggs** if the residence, business or other source shall cause a violation of State or Federal regulations.

8) **Treatment Fees**.

A) Except as otherwise herein stated, **Victor** agrees to pay **Driggs** and**Driggs** agrees to accept from Victor, as sole consideration for **Driggs** accepting, conveying, treating, and disposing of wastewater a regular fee for each one thousand (1000) gallons of wastewater measured at the Major Collection Point. Said fee shall be in the same amount that Driggs pays for each one thousand (1000) gallons of waste water. Said fee shall be paid monthly on or before the 10th day of each month for the prior month, commencing with the month following the first month that

wastewater is delivered to the Major Collection Point by Victor. The fee is to be established and approved annually by both cities by resolution. All such fees shall be based on actual costs incurred in running the facilities.

B) If any of the rates charged by **Driggs** to **Victor** hereunder are found to be in violation of law or unenforceable, and this situation cannot be retroactively remedied to the satisfaction of both parties, then this Agreement shall become immediately terminable by either party and may be so terminated upon giving the other party a written notice of its intent to so terminate, and the date upon which such termination shall take effect, provided however, that it can be no sooner than the later of one year from the date of notice or such date as allows Victor to establish another means for handling their waste water.

C) All operation and maintenance costs shall be identified and delineated by Driggs'. Prior to incurring a material increase in such costs Driggs' shall consult with Victor. All employees, consultants, and independent agents of Driggs' whose time is charged against operation or maintenance of the facilities shall be appropriately pro rated between such maintenance and operation and other duties outside the scope of such operation and maintenance.

D) On at least an annual basis, at a date to be determined by Victor and Driggs, the books and records relating to the ownership, maintenance, and operation of the Wastewater Facilities shall be audited by an independent auditor. The scope of such audit shall include but not be limited to the pass through of all fees and other costs passed through to Victor as well as the status of all outstanding debt relating to the Wastewater Facilities. This audit may be performed by the Driggs independent audit firm and the cost shall be born equally by Victor and Driggs.

E) In the event it is determined that a measuring device is inaccurate and has caused either party to this Agreement to pay more or less than what would have been paid had such device been accurate, then such payments shall be retroactively adjusted by virtue of a credit to forthcoming fees due under this Agreement. In no such event shall such adjustments be made retroactively for more than a 12 month period.

9) **Equitable Allocation**. The parties hereto agree that the fee structure contained in this Agreement creates an equitable allocation with all revenues being delegated to repairs, replacement, and maintenance of the facilities and its components in proportion to that used by each party's users.

10) **Wastewater Strength**. The parties hereto shall establish in writing a set of

"Capacity Limits" and "Capacity Charges". In the event that either Driggs or Victor users causes the facilities to be burdened with effluent beyond the Capacity Limits, then such municipality shall pay the commensurate Capacity Charge. For the purpose of controlling the amount of organic load of wastewater coming from pollution sources within the total system, it is agreed that **Victor** and **Driggs** will comply with the Environmental Protection Agency (EPA) requirements for pretreatment standards for existing and new sources of pollution, and the establishment of user charges associated with the treatment of the industrial wastewater. Driggs shall copy Victor on any violation notices and other DEQ, EPA, and other agencies correspondence. **Victor** and **Driggs** hereby agree to share the necessary cost data to enable the calculation of the costs associated with the treatment of the residential, commercial and industrial wastewater over and above the cost mentioned elsewhere in this Agreement. If at any time, the EPA or any other Federal or State agency requires that wastewater treatment costs should be calculated by some formula other than as herein set forth, then both **Victor** and **Driggs** agree that this Agreement shall be amended so that its fee structure meets said requirement if necessary.

11) **Uniform Rules**. **Victor** and **Driggs** agree that wherever practicable, uniform rules and regulations will be established, including but not limited to the discharge of harmful substances into the wastewater system in excess of minimum standards prescribed; to prohibit storm, surface, or groundwater from entering the wastewater system; and to provide adequate inspection of building, wastewater, and street construction to prevent such from entering the wastewater system.

12) **Fee Adjustment** Except as mentioned above, it is further agreed that the fees chargeable to **Victor** by **Driggs** may be adjusted only by reason of an adjustment of charges to **Driggs** users for increase in the operation and maintenance for the treatment of wastewater as of the date of this Agreement. Said current charges for treatment are attached hereto and marked "Exhibit A". Further, such an adjustment in fees is equal for **Driggs** and **Victor** unless special circumstances exist which would make collection and treatment of either **Victor** or **Driggs** users more expensive.

13) **Terms**. This Agreement shall remain in effect for a period of Twenty (20) years from the date hereof. Victor shall have two (2) options to extend for five (5) years each. In order to exercise such option periods Victor must give written notice to Driggs of its intent to exercise such option no less than 120 days prior to the expiration of the Agreement. It shall then continue in effect for additional two (2) year periods thereafter unless terminated by either party by giving the other party a notice of intent to terminate, provided, however, after the initial term and any option term, no less than two (2) year notice must be given to terminate.

14) **Adoption and Enforcement of Ordinances**. **Victor** agrees to adopt rules and