



Memorandum

Date: January 20, 2021
 To: Utilities Commission
 From: Stan Gryczko, Public Works Utilities & Operations Director
 Adrienne Heinig, Management Analyst
 Subject: Item 6A - Wastewater Cost of Service Study – Financial Plan Review

Recommendation

1. Receive a summary of revenue and expenditures for the Wastewater Utility
2. Receive a presentation on the development of the financial plan for the Wastewater Utility by Bartle Wells Associates, which includes current and future projections on revenue and costs of service

UC Rate Study Process

Utility Rate Study Recommendation Procedure

Step	Description	Status
1	Conduct a Special Meeting to review the background and relevant details of the Utility	<i>Completed on November 20, 2019 and November 2020 refresher</i>
2	Review the draft Rate Study Request for Proposal (RFP) for content and requirements, recommend adjustments/changes. a. Recommend one commission member to participate in consultant selection process.	<i>Completed January 15, 2020</i>
3	Review Scope of Work from selected consultant, recommend scope changes, and recommend approval of Scope of Work to Council.	<i>Completed April 15, 2020</i>
4	Review cost of providing services (financial plan) outlining funding requirements of utility. Ask questions/ provide feedback. No formal recommendation on needs of utility.	January 20, 2021
5	Review rate scenarios (developed per approved Scope of Work) developed after completion of financial plan. Recommend changes/ modifications to scenarios. No formal recommendation	<i>TBD – Targeted for April/May 2021</i>
6	Review final draft cost of service report, including final rate scenarios. Formal action taken includes recommended adoption or other action for Council consideration	<i>TBD – Targeted for June/July 2021</i>

Materials for Review

From City staff:

Budget Summaries

To inform the review of the utility, fiscal year (FY) budget summaries for Wastewater Funds 531, 532 and 533 are included as Attachment 1.

The information is broken out in three sections:

- Fund balance (broken out by fund).
- Sources of revenue (broken out by major source).
- Expenditures (broken out by program, Capital Improvement Projects (CIPs) and debt service).

Each section includes City budget and actual accounting data for fiscal years (FY) 2017-2018, 2018-2019, 2019-20 and the budget for FY 2020-2021.

Some considerations in reviewing the summaries:

- The summaries are provided to show revenue and expenditures in a straightforward format. The spreadsheet is not a model.
- A total is included at the bottom of the chart comparing simplified total revenue and expenditures for all three funds combined. Years where the total expenditures exceed revenue demonstrate when project funding would come from existing fund balance.
- Costs year-by-year associated with professional services and capital improvement projects will vary significantly, based on timing of projects and large studies.
- Non-professional services and CIP costs that show significant changes are highlighted in the document, with notes on the right of the chart to identify the cause of the change.

Note: there are two outstanding loans associated with the Wastewater Utility, a \$3M loan for Solid Waste, and a \$2M loan for Stormwater. As of the creation of this report, no principal payments have been made on these loans (currently both utilities are paying interest-only payments, as required by the interfund loan agreements), and it is not anticipated that the loans will be repaid* within the five-year rate adjustment window currently under discussion. Annual fund updates for the Wastewater Utility will update the Commission on the status of the loan repayments.

**Stormwater repayments could begin sooner than anticipated should the proposed rate adjustments be approved by voters.*

Attached

- Wastewater Budget Summary (FY 2018-FY 2021)