



Memorandum

Date: April 21, 2021
 To: Utilities Commission
 From: Adrienne Heinig, Management Analyst
 Subject: Item 6A - Wastewater Cost of Service Study - Financial Plan Review (Supplemental Information)

Recommendation

Informational item.

1. Receive presentation from Bartle Wells Associates on financial plan development and supplemental information provided by staff; and
2. Complete discussion on the development of the financial plan for the Wastewater Utility for current and future projections on revenue and costs of service for use in the rate setting phase of the cost of service study.

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.	<i>Completed January 20, 2021, continued April 21, 2021</i>
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 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

Staff report from January 20, 2021 Utilities Commission

- A. **Wastewater Cost of Service Study – Financial Plan Review.** (*Stan Gryczko, Public Works Utilities & Operations Director*). Recommendation: Informational Item.

Introduction to the development of the financial plan for the Wastewater Utility for current and future projections on revenue and costs of service for use in the rate setting phase of the cost of service study. Receive presentation from Bartle Wells Associates on financial plan development and key areas for discussion.

- [Item 6A - Wastewater Cost of Service Study - Financial Plan Review](#)
- [Item 6A - Attachment 1 - Wastewater Budget Summaries](#)
- [Bartle Wells Presentation](#)

May 2021 Discussion of Rate Scenarios

It is anticipated that the Commission will begin the discussion of wastewater rate scenarios and rate structures at the meeting in May, once the review of the financial plan is completed. At the meeting in January, the Commission discussed a number of items related to the rate structure and scenarios, in addition to the financial plan. These topics have been included below (from the minutes of the January 20, 2021 meeting), and will be included again in May. Should Commissioners have additional topics that they would like to add to the rate structure and scenario discussion, staff request they submit the items by email to staff by **Monday, May 10, 2021**.

A number of items discussed by the Commission were topics that will be covered during the rate components and development portion of the rate study. These items are summarized below:

- Doug Dove of Bartle Wells discussed the components of the rate structure, and the ratio between fixed charges, which are the same each month, and volumetric charges, that vary by calculation of winter water use averages for City wastewater customers. He indicated that the calculation of the winter water use average will be reviewed by the Commission, with the possibility of updating or changing the calculation, and that the ratio between fixed and variable charges would also be reviewed.
- The calculation of commercial wastewater rates currently includes the winter water use average, however commercial accounts often have separate irrigation meters, and have busy or slow periods, that could warrant a different type of calculation for wastewater fees.
- If a model of percent of actual water each month used could be an option for calculating rates for wastewater customers, rather than winter water use.
- The review of the possibility of a separate class for rent by the room multifamily housing complexes.
- When looking at the volumetric to fixed ratio, consideration of State encouragement for volumetric rates, and water conservation incentives.

- That the high variability of the water charge does make the customer act (they regulate how much water they consume). However, once that water is used, where it goes is no longer in the customer's control – if the variable charge is an incentive, what is that on the sewer end, or at the stage of where the water goes. Does the incentive aid conservation, or is that more on the water side of the city utility bill? Is there a connection to decisions around the installation of greywater systems or commercial operations that can be considered?