

# CITY OF CAMAS

## WATER, SEWER, STORMWATER AND SOLID WASTE UTILITY RATE STUDY

The following work task plan has been developed to complete a Comprehensive Rate Study for the City of Camas' (City) Water, Sewer, Stormwater and Solid Waste utilities. The City's study needs were discussed with Steve Wall, Public Works Director. The tasks to be provided as part of this scope are described below

### TASK PLAN

#### TASK 1: INITIAL PROJECT MEETING

An initial project meeting will be scheduled at the commencement of the project with the consultant and the City project team. Meeting participants would include a representative from departments that can address issues related to finance, engineering, operations, customer service and administration.

The intent of the meeting is to confirm the goals and objectives of the overall rate study and focus the efforts of the project team. The items covered at the meeting include reviewing the scope of work; identifying project objectives, expectations and deliverables; outlining the project schedule and key milestone review points; and discussing appropriate lines of communication.

#### TASK 2: DATA COLLECTION & VALIDATION

FCS GROUP will provide a data needs list encompassing historical and projected revenue, expenses, fiscal policies, capital plans, fund balances and comprehensive planning documents. The data will be reviewed, analyzed and validated for inclusion in the study process.

#### TASK 3: CUSTOMER DATA VALIDATION

A detailed customer billing statistics validation will be completed for all utilities. Individual customer data including number of accounts, meter size, equivalents residential units, collection carts and billing usage patterns (annual use, peak use, etc.) will be evaluated and validated against actual revenues collected. This revenue reconciliation will identify anomalies to be corrected prior to developing future projections for customer counts and use / demand under "normal" conditions. Validation of the customer statistics data set with customer demands and revenue generation is critical to the rate study as it establishes the foundation for all of the major analytical phases (revenue requirement, cost of service and rate design).

## TASK 4: REVENUE REQUIREMENT

This task establishes a sustainable, multi-year (e.g., 5/10/20-year) financial management plan that meets the projected total financial needs of each utility through the generation of sufficient, sustainable revenue. Annual cash flow needs are developed by identifying expenses incurred to operate and manage the systems including:

- Capital investment funding (improvements, expansion, and replacement)
- Expenses incurred to operate, maintain, and manage the systems
- Debt repayment
- Cash flow needs
- Fiscal policy achievement

Tasks are as follows:

- » Develop a forecast of operating revenues and expenses to reflect the most recent approved budgets. Adjust for any known future changes in annual non-capital costs associated with the operation, maintenance, and administration of each system. Changes may include additional staffing needs and other operating costs associated with maintaining the system along with initiating new or enhanced program activities.
- » Incorporate the most recent capital plans identifying the capital projects required to maintain each system in good repair. Develop a capital funding analysis that balances available funding from rate revenue, reserve funds, contributions and additional debt, if needed.
- » Evaluate cash flow needs to meet existing and anticipated new annual debt service requirements and debt coverage requirements.
- » Develop a fund balance tracking analysis to track existing City funds. The analytical module will include annual inflows and outflows of funds and monitor target balances for compliance with established fiscal policies.
- » Test the sufficiency of each system's current revenues in meeting all annual system obligations. Identify any projected shortfalls over the forecast period. Rate revenue sufficiency will be tested from two perspectives: the ability to meet all cash obligations, and the attainment of any debt coverage requirements.
- » Design a rate implementation strategy that meets each system's financial obligations over the multi-year planning horizon and provides smooth and moderated impacts to ratepayers.
- » Develop rate scenarios to evaluate the impact of changes to key variables such as funding sources, growth rates, capital project need and timing, or others identified by the City. The budget includes three (3) alternative scenarios for each utility.

### Task 4a: Route Requirement Analysis – Solid Waste

The City is exploring the cost and rate revenue impact of extending the City's solid waste service area to homes and businesses located within the recently annexed area. The solid waste services are currently provided by Waste Connections on an annual contract basis. This task includes an operations analysis to evaluate:

- Garbage route requirements based on container set-out rates, tonnage, and collection schedules.
- Personnel, equipment maintenance, and capital requirements (e.g., collection trucks, carts).

- Multi-year cost-benefit analysis that compares projected annual cash flow from City-provided service to the existing collections contract.

The results of this analysis will be incorporated into the solid waste revenue requirement and cost of service model *Task 4* and *Task 5*.

## TASK 5: COST OF SERVICE

The cost-of-service analysis (COSA) establishes a defensible basis for assigning “cost shares” and establishing “equity” for system customers based on industry standard methodologies that are tailored to the PUD’s unique systems and customer characteristics. Due to the nature of the stormwater utility service, a cost-of-service analysis will not be performed for this utility. A rate credit analysis may be performed, upon request, to validate the portion of the utility’s costs that are impacted by on-site mitigation and determine the maximum credit that should be allowed.

The COSA develops a series of functional allocations that distribute cost pools to classes of customers linked to a proportionate share of costs required to serve their demand. Specific consideration will be given to total utility costs in relationship to the functions identified below.

Water	Sewer	Solid Waste
<ul style="list-style-type: none"> <li>● Customer</li> <li>● Base capacity (avg. demand)</li> <li>● Peak capacity (peak demand)</li> <li>● Meters and Services</li> <li>● Fire</li> </ul>	<ul style="list-style-type: none"> <li>● Customer</li> <li>● Flow</li> <li>● BOD</li> <li>● TSS</li> </ul>	<ul style="list-style-type: none"> <li>● Collection</li> <li>● Disposal</li> <li>● Recycling</li> <li>● Yard Waste</li> <li>● Customer</li> </ul>

This analytical exercise will identify the cost to serve each customer class / service level of each system. The results will identify any warranted shifts in cost burden that could improve equity between customers from the existing rate structure. The cost-of-service will identify the required revenue to collect from each customer class to cover their individual costs. Unit costs by functional component will be calculated to support the rate design process.

## TASK 6: RATE DESIGN

The rate design task will evaluate existing rate structures for alignment with the City’s current and/or recommended fiscal policies, generate sufficient revenue to meet the revenue requirement forecast, and to address inequities identified in the COSA findings. Key task outcomes include the following:

- Across the board increases for each utility’s rates. The increases for each utility will be applied equally to both fixed and variable charge (where applicable) components.
- Modified fixed and variable rate increases for each utility (where applicable). As an example, this alternative will evaluate modifying the fixed charges proportionally higher than the volume charges. This type of rate design would allow the City to address goals such as cost based rates, revenue stability and / or conservation.
- Bill Comparisons will be generated describing the number of and degree to which different customers are impacted by changes in the current rate structures. We will prepare a comparison of the impact of each rate structure (including the existing rate structure) on typical bills of representative customers from each customer class.

## TASK 7: MEETINGS & PRESENTATIONS

During the study process, it will be important to interact frequently with staff throughout the project, to ensure that the findings and recommendations reflect approaches that are understood by impacted parties and can be implemented within the City's administrative practices. Review meetings are anticipated to be conducted via remote session. The following meetings are budgeted:

- Six (6) staff project team meetings to review study results at key milestones.
  - » Two (2) – two (2) hour meetings with City staff to review draft revenue requirement results for all utilities.
  - » Two (2) – two (2) hour meetings with City staff to review draft COSA for the water, sewer and solid waste utilities.
  - » Two (2) – one (1) hour meetings with City staff to review draft rate design analysis for all utilities.
- Three (3) workshop / presentations with City Council to present the study results and incorporate feedback. Presentations are assumed to be virtual using the City's platform of choice.
  - » One (1) workshop with City Council to discuss revenue requirement findings for all utilities. Includes presentation development.
  - » One (1) workshop with City Council to discuss COSA findings for all utilities. Includes presentation development.
  - » One (1) workshop with City Council to review rate design analysis and overall study recommendations. Includes presentation development.

We are happy to provide additional meetings as requested. The additional meetings will be billed on a time and materials basis.

## TASK 8: DOCUMENTATION

An executive level report documenting the rate study methodology, key assumptions, results and recommendations will be provided. The technical information referenced in the report will be available in the provided Excel based models. Included will be one (1) electronic copy of each of the utility's rate models with the associated formulas, and final report.

## BUDGET

The proposed level of effort to complete the Comprehensive Water, Sewer, Stormwater and Solid Waste Rate Study is summarized below. Our normal billing practice is to bill based on time and materials actually expended, not to exceed the total budget.

TASKS	Utility					Total Budget
	Water	Sewer	Stormwater	Solid Waste	Combined	
<b>UTILITY SPECIFIC</b>						
Task 2   Data collection & validation	\$ 1,175	\$ 1,175	\$ 1,175	\$ 1,155		\$ 4,680
Task 3   Customer data validation	3,250	2,940	2,320	3,670		12,180
Task 4   Revenue requirement (3 scenarios)	7,240	7,240	6,000	7,620		28,100
- 4a   Route requirement analysis				1,975		1,975
Task 5   Cost of service	6,930	6,930		6,870		20,730
Task 6   Rate design	4,420	3,060	1,065	4,360		12,905
<b>TOTAL UTILITY SPECIFIC</b>	<b>\$ 23,015</b>	<b>\$ 21,345</b>	<b>\$ 10,560</b>	<b>\$ 25,650</b>	<b>\$ -</b>	<b>\$ 80,570</b>
<b>COMBINED TASKS</b>						
Task 1   Initial project meeting					\$ 1,130	\$ 1,130
Task 7   Meetings & presentations						
- 6 Review meetings (remote; 4x2 hours, 2x1 hours)					4,050	4,050
- Council workshops (3 remote)						
- Development					5,700	5,700
- Presentation to Council (remote)					2,070	2,070
Task 8   Documentation					8,095	8,095
<b>TOTAL COMBINED TASKS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21,045</b>	<b>\$ 21,045</b>
<b>TOTAL BUDGET</b>	<b>\$ 23,015</b>	<b>\$ 21,345</b>	<b>\$ 10,560</b>	<b>\$ 25,650</b>	<b>\$ 21,045</b>	<b>\$ 101,615</b>