



# Council Workshop



## Rate Study Update – Stormwater & Solid Waste

Sergey Tarasov, Principal  
Matthew Hobson, Project Manager  
Luke Rosson, Analyst

September 18, 2023





# Agenda

- **Overview of the rate setting process**
- **Background**
- **Key assumptions**
- **Financial policies**
- **Revenue requirement**
  - » Water
  - » Sewer
- **Next steps**
- **Questions / discussion**



# Overview of Rate Setting Process

## Fiscal Policies – Set the Management Foundation

**Step 1:**  
**Revenue Requirement**  
(defining overall needs)

Revenue

Debt

Reserves

O&M

Capital

**Step 2:**  
**Design Rates**  
(collect target revenue)

Fixed Charge

Variable Charge



# Background

- **Previous study completed in 2018**
  - » Rate adjustments were needed to meet ongoing obligations
  - » Reminder: no System Development Charges for Stormwater or Solid Waste
- **2023 rate study update commenced early 2023**
  - » 9/5/2023 presented water & sewer revenue requirements
  - » Today's focus: stormwater & solid waste revenue requirements



# Key Assumptions

- **Study period: 2023 – 2028**
  - » Projected through 2043
- **Revenue based on historical data, budget and forecast assumptions**
  - » 2022 billing statistics used as baseline for rate revenue forecasting
  - » 2023 and 2024 budgets used as baseline for non rate revenue
  - » Annual growth set at 1.50% per year
- **O&M expenses based on 2023 and 2024 budgets and escalated with**
  - » General cost inflation: 4.0% in 2025, 3.0% thereafter
  - » Construction cost inflation: 6.0% in 2024, 4.0% in 2025, 3.5% thereafter
  - » Labor cost inflation: 4.0% in 2025, 3.0% thereafter
  - » Benefits cost inflation: 6.0% per year



# Key Assumptions (continued)

- **Taxes**

- » Solid Waste Refuse Tax: 3.60% on garbage collection revenues
- » B&O tax rate: 1.75% on non rate revenue and stormwater rate revenue
- » City taxes: 2.0% (assessed on top of the bill)

- **Future debt: revenue bonds**

- » Term: 20-year
- » Interest: 5.00%
- » Issuance cost: 1.00%



# Financial Policies

Policy	Purpose	Target
<b>Operating Reserve</b>	Liquidity cushion to accommodate cyclical cash flow fluctuations	All utilities: 18% or 66 day of O&M
<b>Capital Contingency Reserve</b>	To meet emergency repairs, unanticipated capital, and project cost overruns	Stormwater: \$100k Solid Waste: n/a
<b>Debt Service Coverage (DSC)</b>	Compliance with existing loan/debt covenants and maintain credit worthiness for future debt issuance	Internal Policy: 2.50 Minimum Requirement: 1.25
<b>Rate Setting</b>	A multi-year financial plan	Five-year plan 2024-2028
<b>Revenue Sufficiency</b>	Set rates to meet the total annual financial obligations of each utility and be self supporting	Rates shall be set to cover O&M, debt service and fiscal policy achievement



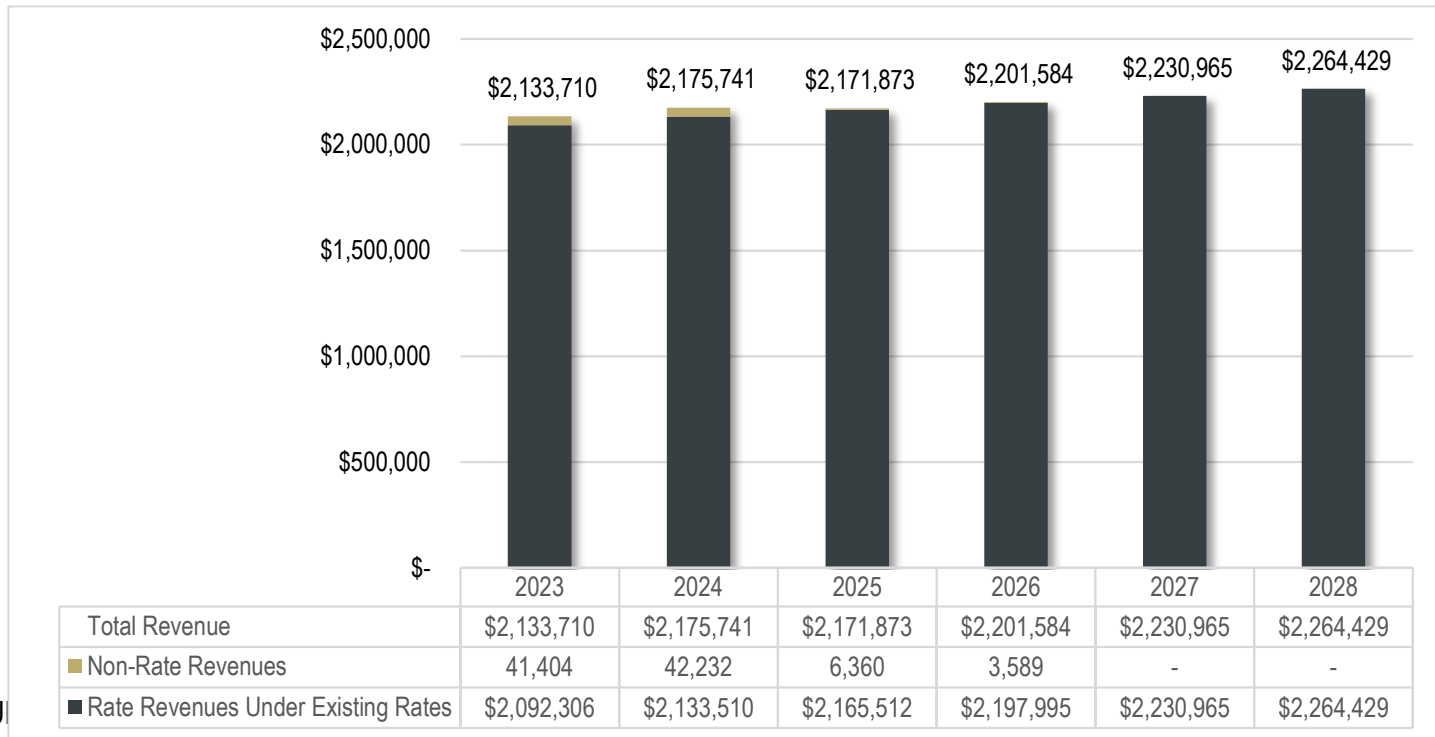
# Stormwater





# Key Factors: Existing Revenue

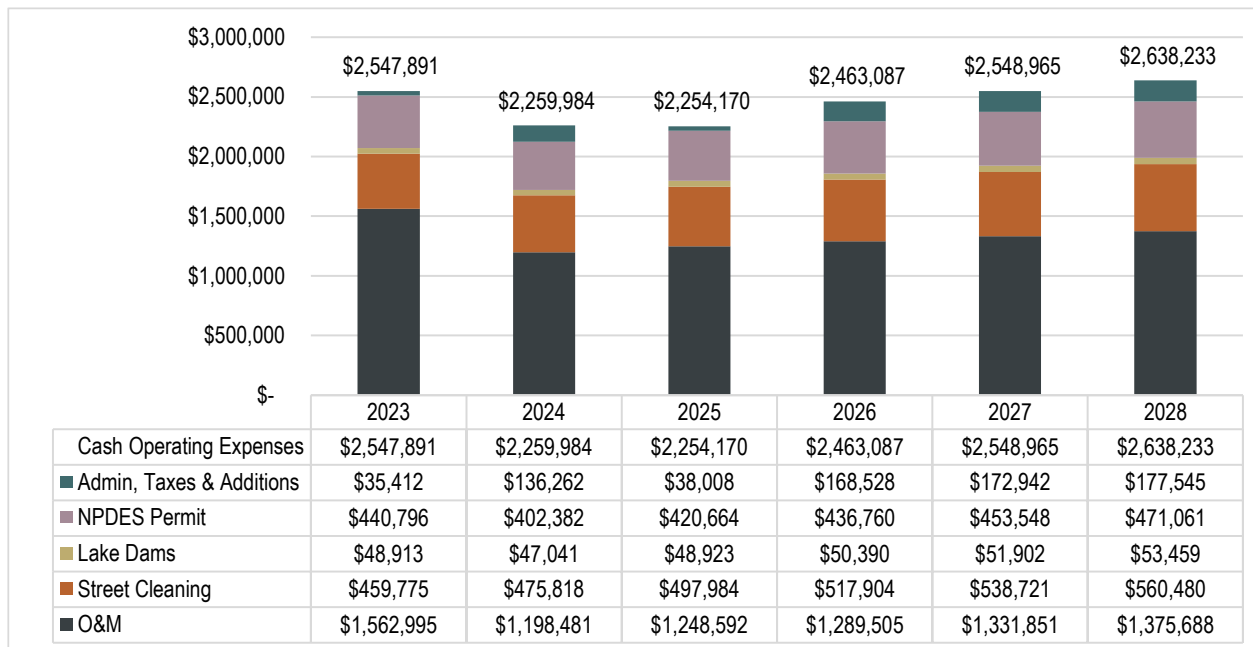
- **Focus period: 2023-2028**
  - » Rate revenue based on 2022 actual data plus 1.5% growth
  - » Non rate revenue consists of investment interest
- **Total existing operating revenue: \$2.1 million to \$2.3 million**





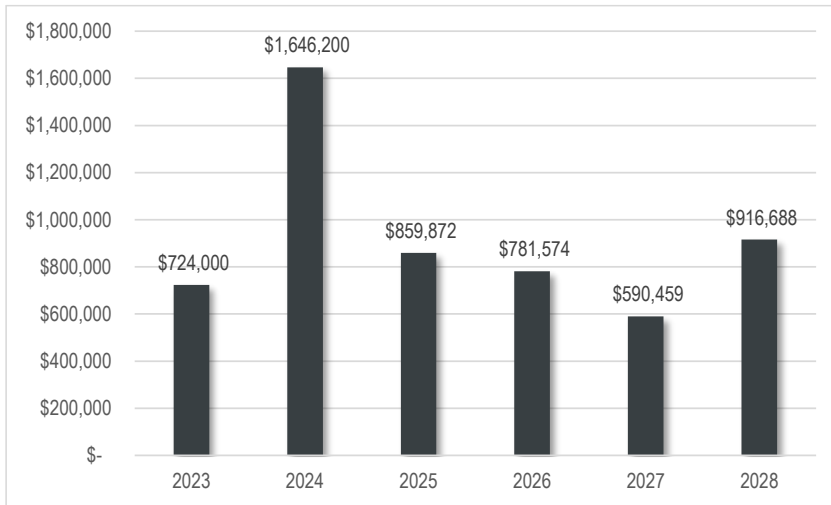
# Key Factors: Operating Expenses

- **Forecast based on 2023 and 2024 budgets**
  - » 2023 includes one-time professional service expenses
  - » Includes 1 additional FTE & vehicle in 2026
  - » Includes a master plan update in 2024
  - » Costs inflated between 6.0%-3.0% per year
    - Average inflation (net of taxes and additions) of 3.8% 2025-2028
- **Total O&M expenses: \$2.3 million (2024) to \$2.6 million (2028)**





# Key Factors: Capital



Year	2023\$	Annual CIP (Escalated)
2023	\$ 724,000	\$ 724,000
2024	1,553,019	1,646,200
2025	780,000	859,872
2026	685,000	781,574
2027	500,000	590,459
2028	750,000	916,688
<b>Total</b>	<b>\$ 4,992,019</b>	<b>\$ 5,518,793</b>
Long Term	24,351,415	36,878,134
<b>Total</b>	<b>\$ 29,343,434</b>	<b>\$ 42,396,928</b>

- **Major projects include**

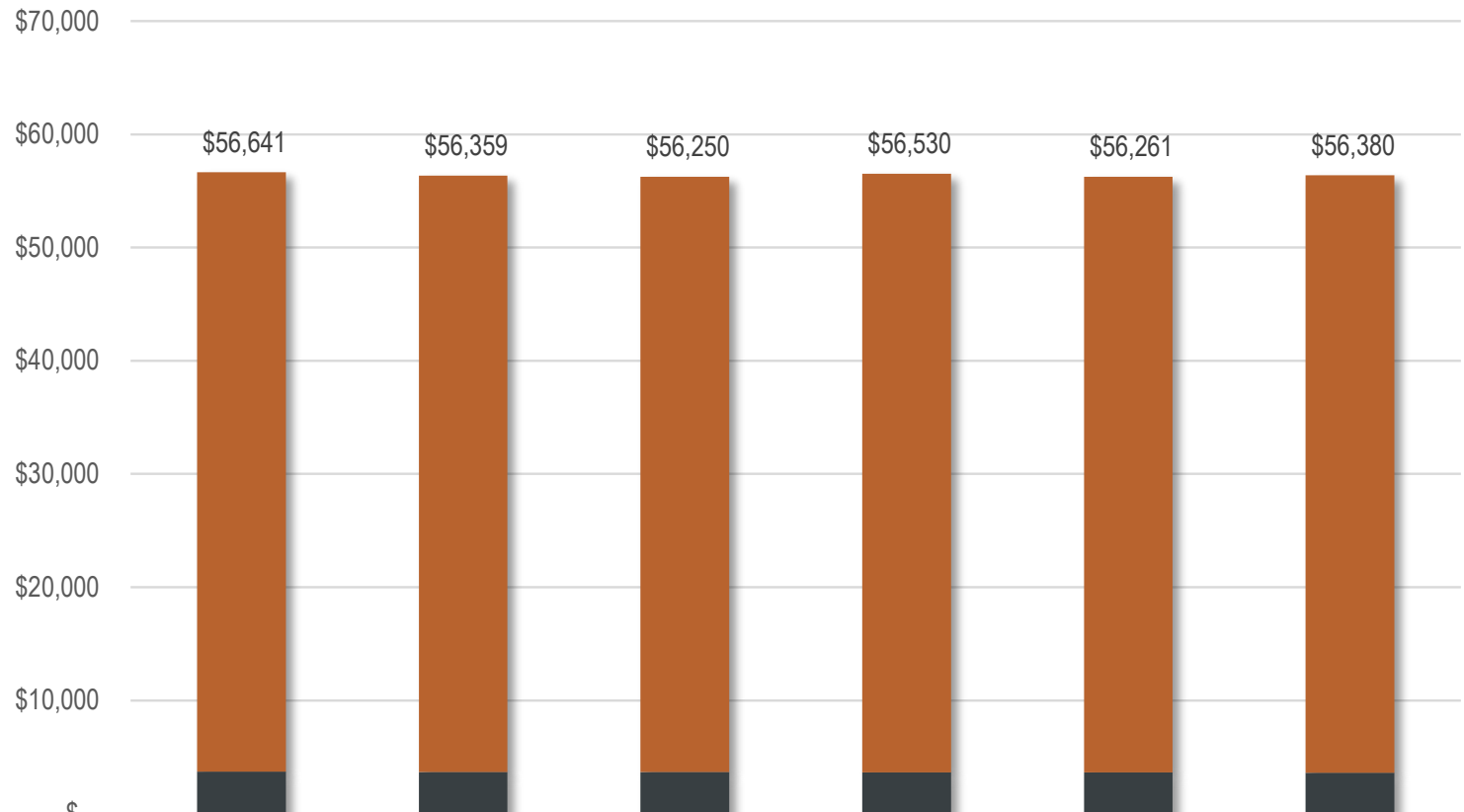
- » Wetland mitigation, dam upgrades, lakes water quality improvements, annual R&R and operations center related projects

- **Capital funded through existing reserves, cash financing and new debt**

- » New debt: varies by scenario



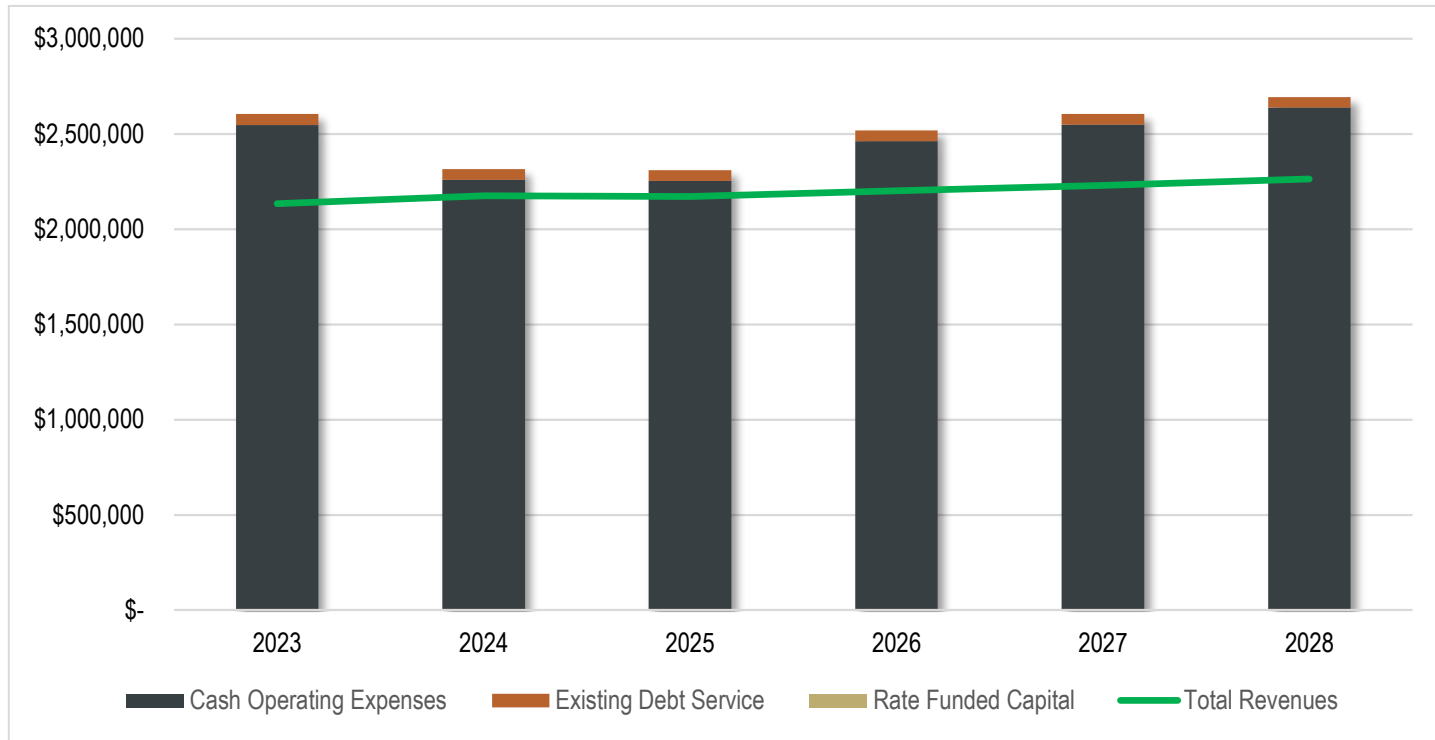
# Key Factors: Existing Debt



	2023	2024	2025	2026	2027	2028
Total Existing Debt	\$56,641	\$56,359	\$56,250	\$56,530	\$56,261	\$56,380
2015 LTGO Bonds Transp - Wetlands	\$52,937	\$52,673	\$52,582	\$52,880	\$52,628	\$52,765
2012 PWTL Transp - Wetlands	\$3,704	\$3,686	\$3,668	\$3,650	\$3,633	\$3,615



# Revenue Requirement: Baseline

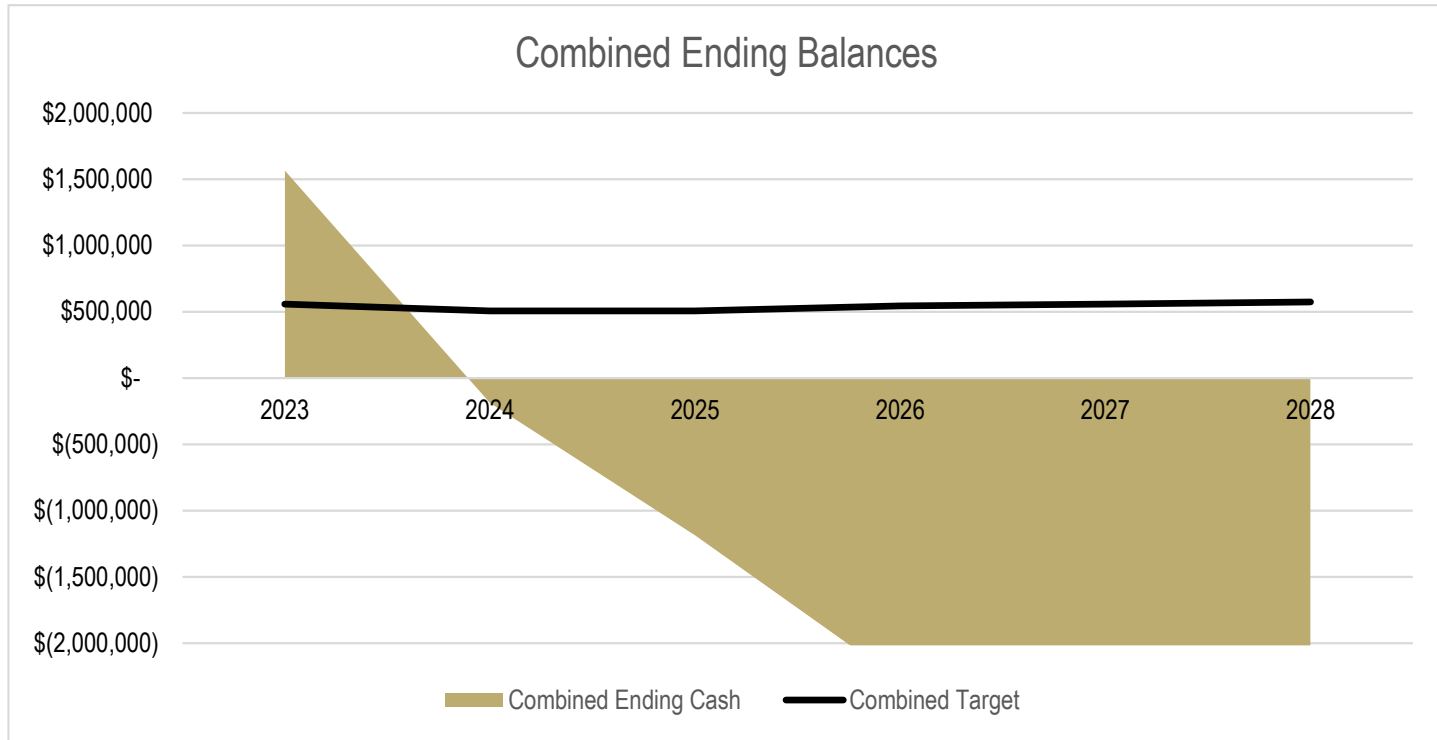


- **Revenues at existing rates**

- » Insufficient to cover O&M and existing debt
- » Don't have any capacity for capital



# Revenue Requirement: Baseline



- **With revenues at current rates**
  - » Existing reserves would be depleted by 2024



# Scenarios for Consideration

- **Scenario for consideration**

- » S1: fully fund ongoing obligations and policies
- » S2: increased debt financing and reduced coverage

Scenarios	2023	2024	2025	2026	2027	2028	Total
<b>Annual Rate Increases</b>							
S1: Full Funding		13.50%	13.50%	13.50%	13.50%	13.50%	
S2: Reduced Policies		10.00%	10.00%	10.00%	10.00%	10.00%	
<b>Avg. Residential Monthly Bill</b>							
S1: Full Funding	\$ 13.55	\$ 15.38	\$ 17.46	\$ 19.81	\$ 22.49	\$ 25.52	
S2: Reduced Policies	13.55	14.91	16.40	18.04	19.84	21.82	
<b>Avg. Residential Monthly Bill Difference</b>							
<b>S1: Full Funding</b>	<b>\$ 1.83</b>	<b>\$ 2.08</b>	<b>\$ 2.36</b>	<b>\$ 2.67</b>	<b>\$ 3.04</b>		
<b>S2: Reduced Policies</b>	<b>1.36</b>	<b>1.49</b>	<b>1.64</b>	<b>1.80</b>	<b>1.98</b>		
<b>New Debt (Revenue Bonds)</b>							
S1: Full Funding	\$ 1,000,000	\$ -	\$ 500,000	\$ -	\$ -	\$ -	\$ 1,500,000
S2: Reduced Policies	1,300,000	-	1,100,000	-	-	-	2,400,000
<b>Annual Coverage (2.50 Policy Target   1.25 Min. Covenant Target)</b>							
S1: Full Funding		2.50	6.20	5.64	8.67	12.23	
S2: Reduced Policies		1.29	3.35	2.31	3.63	5.06	

- S1 projects an additional \$15.0MM in revenue bonds 2029-2039
- S2 projects an additional \$20.0MM in revenue bonds 2029-2039





# Solid Waste





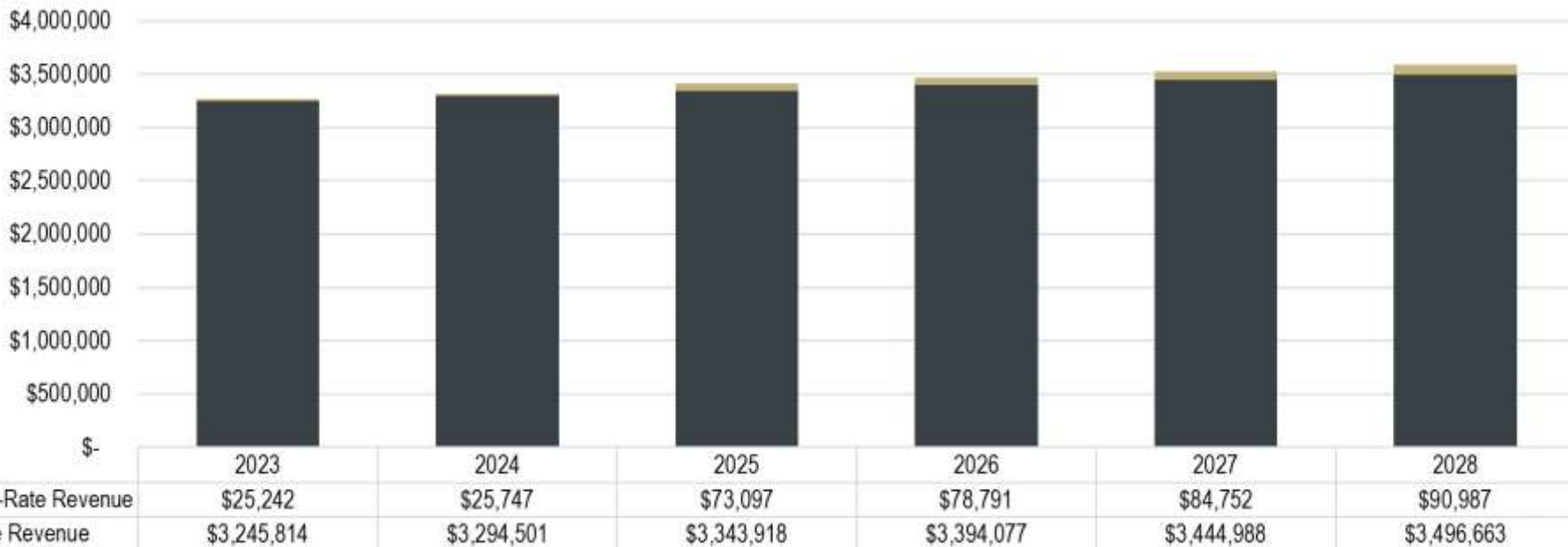
# Solid Waste Background

- **Solid waste division collects garbage from most residential and commercial customers within City limits**
  - » Waste Connections collects garbage from recently annexed areas
  - » As part of rate study process, FCS GROUP evaluated financial impacts of City extending garbage collection service to customers in annexed areas
- **City contracts with Waste Connections to provide residential recycling and yard waste collection**
- **Camas is a partner in the Clark County regional solid waste system**
  - » County is currently evaluating ownership and operation options for transfer and disposal facilities
- **Rate study results based on status quo (business as usual) financial forecast of City's solid waste utility**



# Key Factors: Existing Revenue

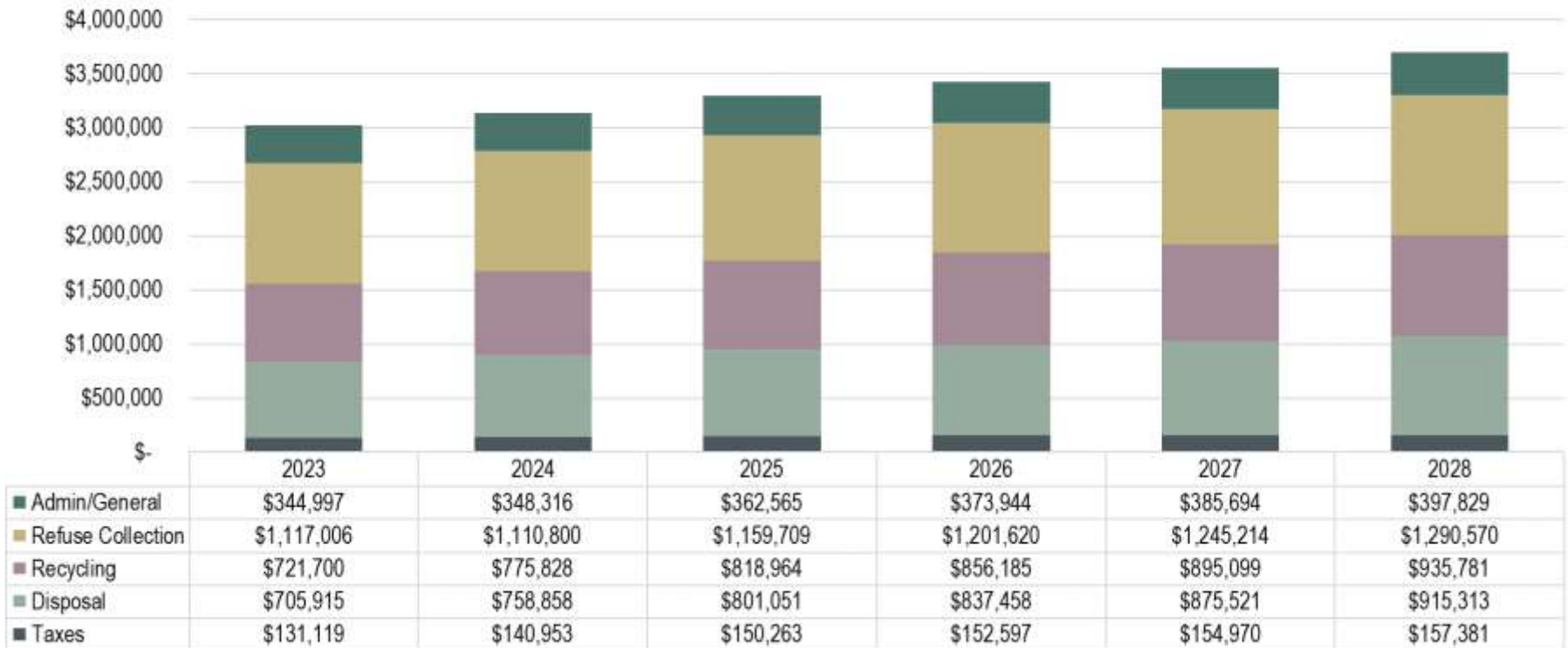
- **Focus period: 2023-2028**
  - » Rate revenue based on 2022 actual data plus 1.5% growth
  - » Non rate revenue consists of investment interest
- **Total existing operating revenue: \$3.3 million to \$3.6 million**





# Key Factors: Operating Expenses

- **Forecast based on 2023 and 2024 budgets**
  - » Costs inflated between 6.0%-3.0% per year
    - Average inflation (net of taxes and additions) of 4.1% 2025-2028
- **Total O&M expenses: \$3.0 million to \$3.7 million**



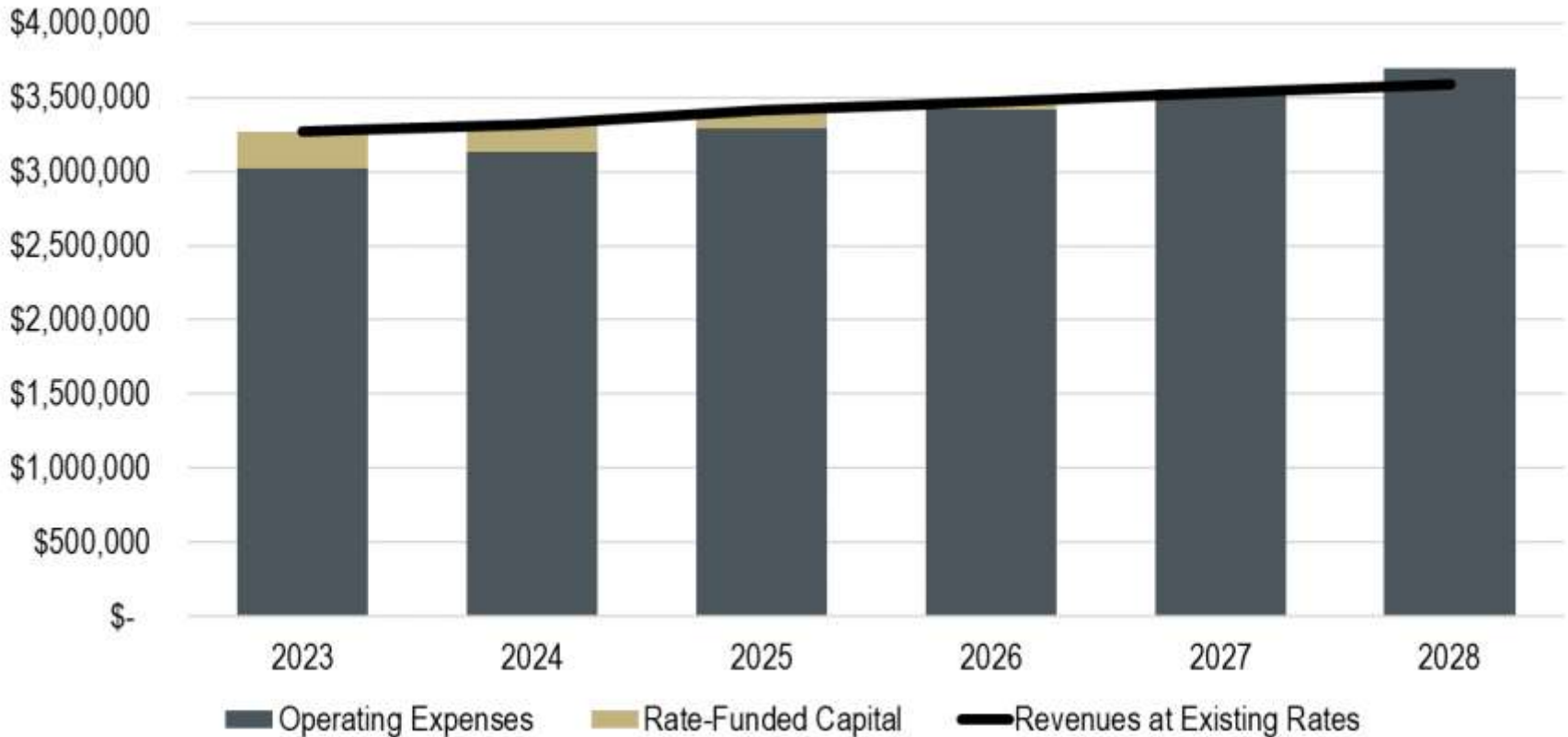


# Key Factors: Capital

- **Refuse collection vehicle replacement funded through City's equipment replacement program – not included in utility's capital program**
- **2023-2028 capital program includes \$250,000 in 2024 for share of land acquisition for Operation Center**
- **Planned \$4.2 million capital expense in 2029 for utility's share of Operation Center facility**
  - » While project occurs outside of 2023-2028 rate horizon, rate recommendations account for anticipated financial impacts



# Revenue Requirement: Baseline

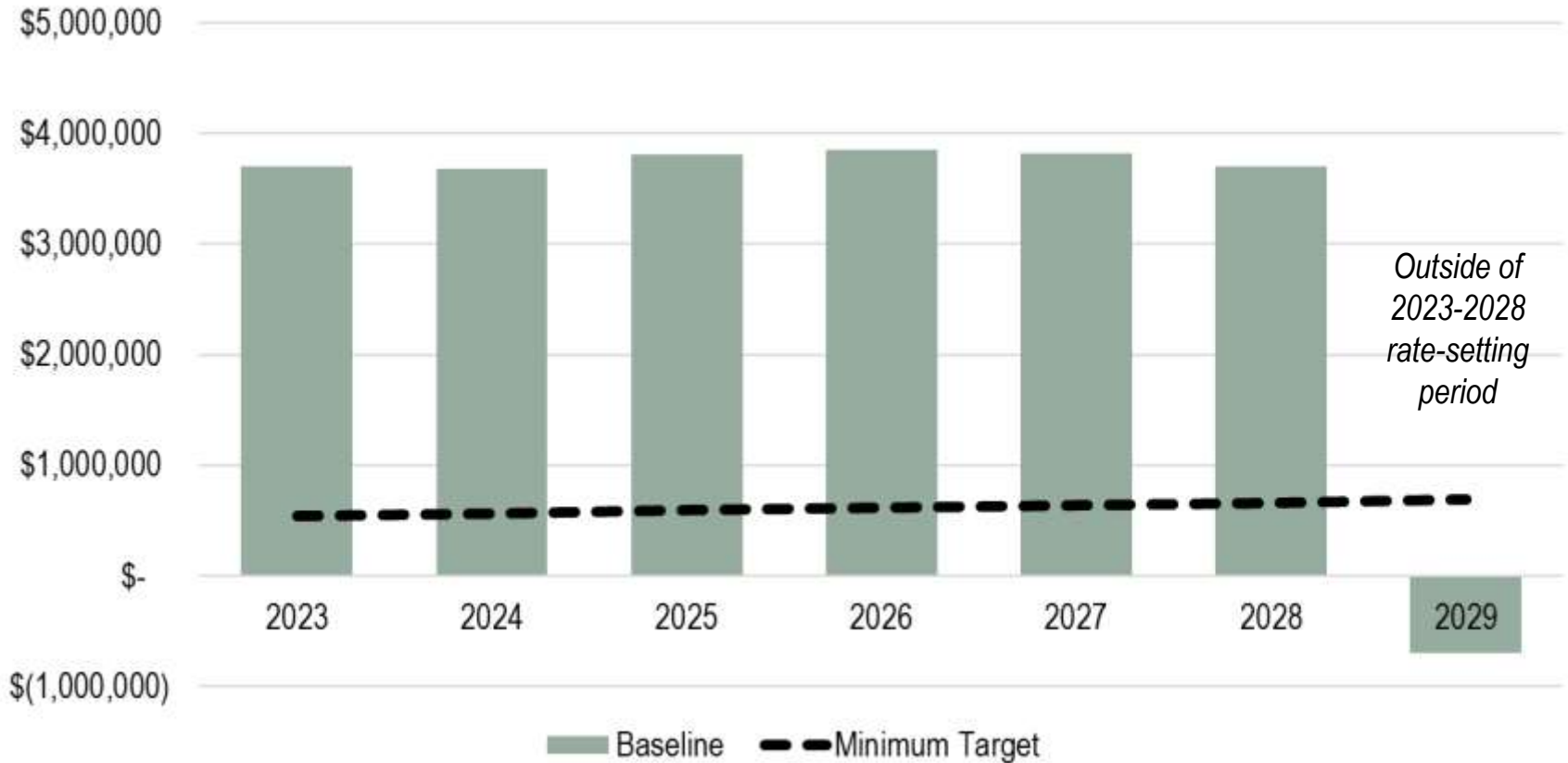


- **Revenues at existing rates**

- » Sufficient to cover O&M expenses through 2027
- » Provides limited capacity for rate-funded capital



# Revenue Requirement: Baseline



- **With revenues at current rates**

- » Existing reserves would be depleted by 2029 due to Operation Center capital project expenses



# Scenario for Consideration

- **Increase solid waste rate revenue by 2.50 percent annually from 2024 to 2028**

Description	2023	2024	2025	2026	2027	2028
<b>Annual Rate Revenue Adjustment</b>		<b>2.50%</b>	<b>2.50%</b>	<b>2.50%</b>	<b>2.50%</b>	<b>2.50%</b>
35-Gallon Weekly Garbage	\$ 17.40	\$ 17.84	\$ 18.29	\$ 18.75	\$ 19.22	\$ 19.70
Recycling Collection	\$ 7.44	\$ 7.63	\$ 7.82	\$ 8.02	\$ 8.22	\$ 8.43
<b>Combined Monthly Bill</b>	<b>\$ 24.84</b>	<b>\$ 25.47</b>	<b>\$ 26.11</b>	<b>\$ 26.77</b>	<b>\$ 27.44</b>	<b>\$ 28.13</b>
<b>\$ Monthly Difference</b>		<b>\$ 0.63</b>	<b>\$ 0.64</b>	<b>\$ 0.66</b>	<b>\$ 0.67</b>	<b>\$ 0.69</b>



# Next Steps

- **Incorporate feedback**
  - » Stormwater:
    - S1: Full Obligations      13.50% per year
    - S2: Reduced Policies      10.00% per year
  - » Solid Waste:                      2.50% per year
- **Follow up discussion October 16<sup>th</sup>**
  - » Finalize revenue requirements for all utilities
  - » Review water residential tiered rate alternative
- **Rates go into effect January 1<sup>st</sup>, 2024**





**Questions/Discussion**

# Thank you!

**Sergey Tarasov | Principal**

**425.867.1802 ext 247**

**[sergeyt@fcsgroup.com](mailto:sergeyt@fcsgroup.com)**

**[www.fcsgroup.com](http://www.fcsgroup.com)**