

City of Coburg: Water and Sewer Rate Study



**Presented to the Coburg City
Council**

Tuesday, July 14, 2020

Prepared by FCS GROUP



Agenda

- **Utility Rate Basics**
- **Revenue Requirement Review**
 - » Water Utility
 - » Sewer Utility



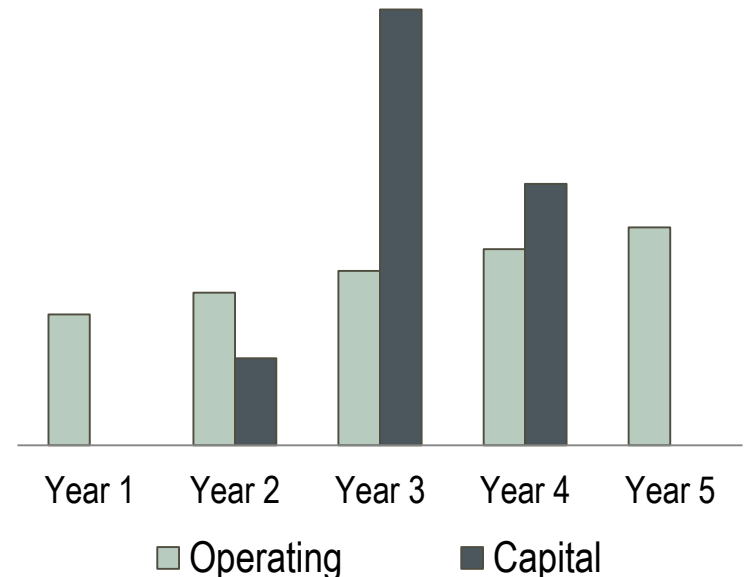
Agenda

- **Utility Rate Basics**
- Revenue Requirement Review
 - » Water Utility
 - » Sewer Utility



Introduction to Utility Ratemaking

- **Utility rates are set to recover the cost of providing service.**
- **Utilities incur two primary types of costs:**
 - » Operating costs (regular / ongoing)
 - Employee salaries and benefits
 - Power and chemicals
 - Asset repair and maintenance
 - » Capital costs (irregular / periodic)
 - Infrastructure replacement
 - Facility expansions and upgrades



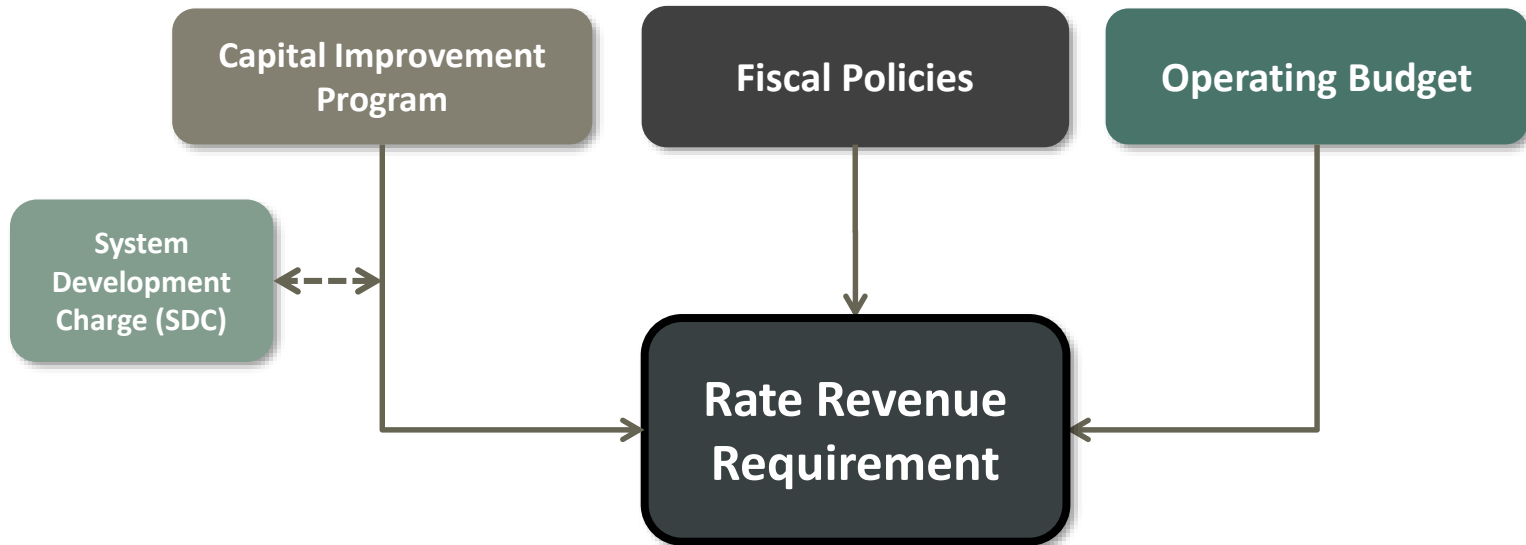


What Should Rates Do?

- **Generate sufficient revenues to sustain the utility system**
- **Charge for cost of services provided**
- **Recover costs equitably**
- **Achieve City objectives**
 - » Conservation
 - » Revenue stability
 - » Maintain minimum fund balances and meet other fiscal policies



Outline of a Revenue Requirement Study





Agenda

- Utility Rate Basics
- **Revenue Requirement Review**
 - » Water Utility
 - » Sewer Utility



Key Assumptions: Water

Annual Cost Inflation

- Salaries & Benefits: 2.62%
- Other Operating Costs: 1.83%
- Construction Costs: 2.90%

Annual Growth Rates

- Based on forecast of land use

| 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|-------|-------|-------|-------|-------|-------|-------|
| 0.47% | 3.30% | 4.30% | 9.07% | 9.50% | 7.20% | 5.55% |

Operating Forecast

- Rate revenue based on the FY 2020 Budget, escalated by the anticipated customer growth
- Operating costs and non-rate revenues based on FY 2020 Budget
 - Adjusted for inflation in future years

Financial Policies

- Min. Fund Balance Target: 90 days of O&M
- Contingency Reserve: \$500k



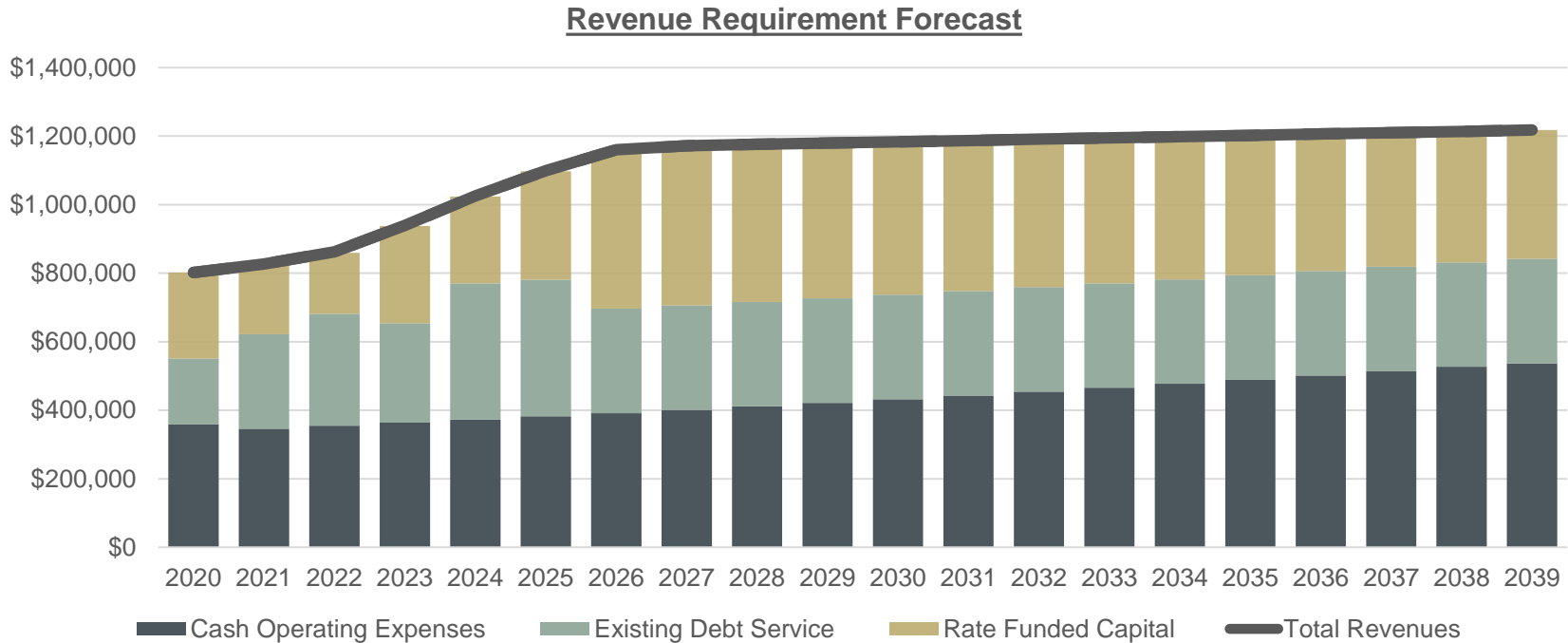
Capital Needs Forecast: Water



- **\$12.7 million in capital projects from 2020 to 2039**
- **\$5.5 million provided by the Business Oregon Regional Solutions Loan**
- **Cash resources from rates and SDCs are expected to cover the remaining costs**



Revenue Requirement Forecast: Water

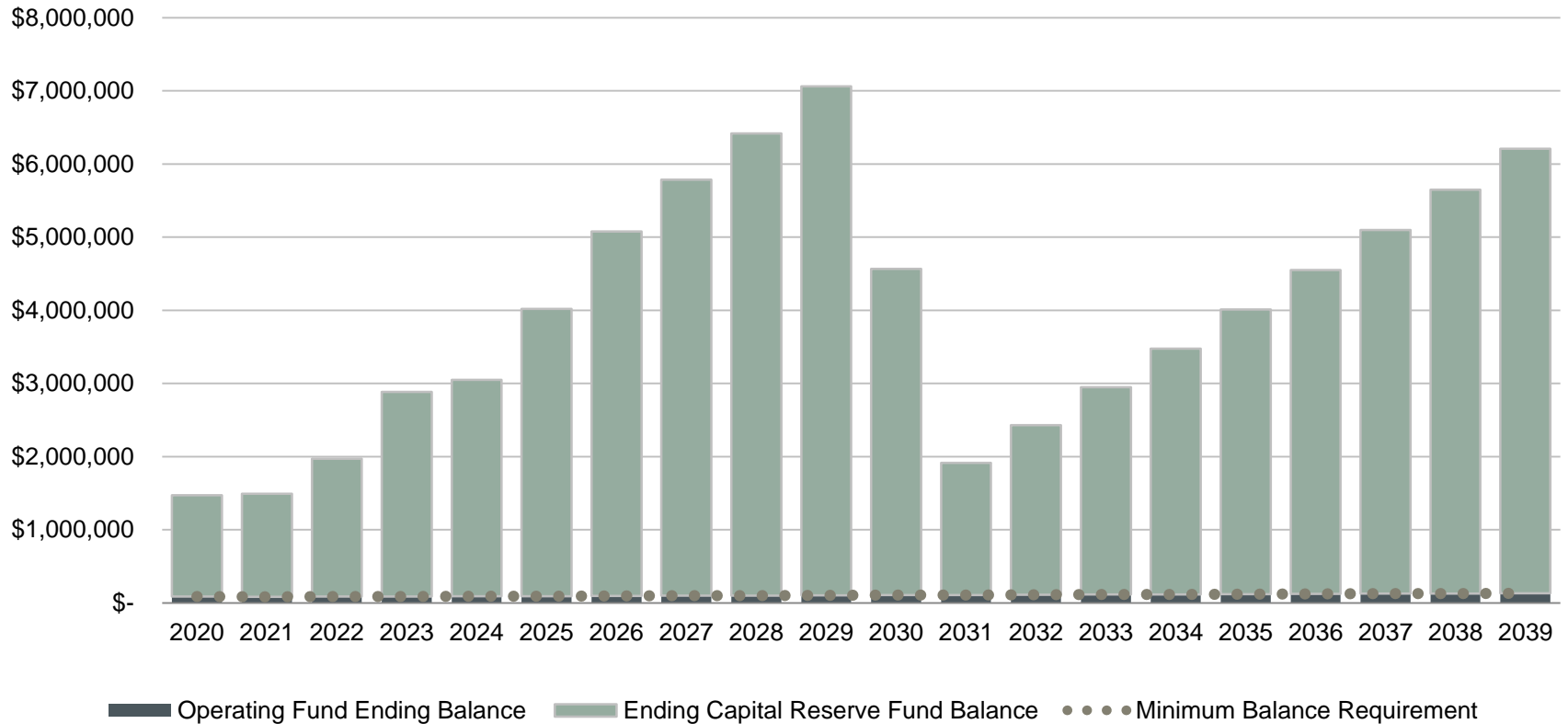


- Revenue increases due to high growth in the first several years
- No rate increases are required



Fund Balances: Water

Combined Ending Fund Balance





Fixed Water Rates

| Across-the-Board Rate Schedule Implementation | Existing | ATB 7/1/2020 | ATB 7/1/2021 | ATB 7/1/2022 | ATB 7/1/2023 | ATB 7/1/2024 | ATB 7/1/2025 | ATB 7/1/2026 | ATB 7/1/2027 | ATB 7/1/2028 |
|--|------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Annual System-Wide Rate Increase | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| <u>Fixed Charge by Meter and Class (Includes 7 CCF)</u> | | | | | | | | | | |
| 5/8" - 3/4" Residential | \$53.00 | \$53.00 | \$53.00 | \$53.00 | \$53.00 | \$53.00 | \$53.00 | \$53.00 | \$53.00 | \$53.00 |
| 5/8" - 3/4" Commercial | \$53.00 | \$53.00 | \$53.00 | \$53.00 | \$53.00 | \$53.00 | \$53.00 | \$53.00 | \$53.00 | \$53.00 |
| 1" Commercial | \$95.00 | \$95.00 | \$95.00 | \$95.00 | \$95.00 | \$95.00 | \$95.00 | \$95.00 | \$95.00 | \$95.00 |
| 1-1/2" Commercial | \$165.00 | \$165.00 | \$165.00 | \$165.00 | \$165.00 | \$165.00 | \$165.00 | \$165.00 | \$165.00 | \$165.00 |
| 2" Commercial | \$250.00 | \$250.00 | \$250.00 | \$250.00 | \$250.00 | \$250.00 | \$250.00 | \$250.00 | \$250.00 | \$250.00 |
| 3" Commercial | \$446.00 | \$446.00 | \$446.00 | \$446.00 | \$446.00 | \$446.00 | \$446.00 | \$446.00 | \$446.00 | \$446.00 |
| 4" Commercial | \$728.00 | \$728.00 | \$728.00 | \$728.00 | \$728.00 | \$728.00 | \$728.00 | \$728.00 | \$728.00 | \$728.00 |
| 6" Commercial | \$1,192.00 | \$1,192.00 | \$1,192.00 | \$1,192.00 | \$1,192.00 | \$1,192.00 | \$1,192.00 | \$1,192.00 | \$1,192.00 | \$1,192.00 |
| Outside City Limits | \$60.00 | \$60.00 | \$60.00 | \$60.00 | \$60.00 | \$60.00 | \$60.00 | \$60.00 | \$60.00 | \$60.00 |
| 3/4" Residential PVE | \$120.00 | \$120.00 | \$120.00 | \$120.00 | \$120.00 | \$120.00 | \$120.00 | \$120.00 | \$120.00 | \$120.00 |
| Limited Income (<100%) | \$23.00 | \$23.00 | \$23.00 | \$23.00 | \$23.00 | \$23.00 | \$23.00 | \$23.00 | \$23.00 | \$23.00 |
| Limited Income (<125%) | \$29.00 | \$29.00 | \$29.00 | \$29.00 | \$29.00 | \$29.00 | \$29.00 | \$29.00 | \$29.00 | \$29.00 |
| Limited Income (<150%) | \$35.00 | \$35.00 | \$35.00 | \$35.00 | \$35.00 | \$35.00 | \$35.00 | \$35.00 | \$35.00 | \$35.00 |



Tier 1 Water Rates

| Across-the-Board Rate Schedule Implementation | Existing | ATB 7/1/2020 | ATB 7/1/2021 | ATB 7/1/2022 | ATB 7/1/2023 | ATB 7/1/2024 | ATB 7/1/2025 | ATB 7/1/2026 | ATB 7/1/2027 | ATB 7/1/2028 |
|---|----------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Annual System-Wide Rate Increase | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| <u>Tier 1 Volume Charge: (8 to 10 CCF)</u> | | | | | | | | | | |
| 5/8" - 3/4" Residential | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 |
| 5/8" - 3/4" Commercial | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 |
| 1" Commercial | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 |
| 1-1/2" Commercial | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 |
| 2" Commercial | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 |
| 3" Commercial | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 |
| 4" Commercial | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 |
| 6" Commercial | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 |
| Outside City Limits | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 |
| 3/4" Residential PVE | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 |
| Limited Income (<100%) | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 |
| Limited Income (<125%) | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 |
| Limited Income (<150%) | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 |



Tier 2 Water Rates

| Across-the-Board Rate Schedule Implementation | Existing | ATB 7/1/2020 | ATB 7/1/2021 | ATB 7/1/2022 | ATB 7/1/2023 | ATB 7/1/2024 | ATB 7/1/2025 | ATB 7/1/2026 | ATB 7/1/2027 | ATB 7/1/2028 |
|---|----------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Annual System-Wide Rate Increase | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| <u>Tier 2 Volume Charge: (Over 10 CCF)</u> | | | | | | | | | | |
| 5/8" - 3/4" Residential | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 |
| 5/8" - 3/4" Commercial | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 |
| 1" Commercial | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 |
| 1-1/2" Commercial | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 |
| 2" Commercial | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 |
| 3" Commercial | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 |
| 4" Commercial | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 |
| 6" Commercial | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 | \$3.94 |
| Outside City Limits | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 |
| 3/4" Residential PVE | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 |
| Limited Income (<100%) | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 |
| Limited Income (<125%) | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 |
| Limited Income (<150%) | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 | \$3.55 |



Water Rates Comparison

| City | Water Rates (8 CCF) |
|------------------|---------------------|
| Coburg (Current) | \$56.55 |
| Creswell | \$52.62 |
| Cottage Grove | \$52.18 |
| Veneta | \$39.40 |
| Harrisburg | \$35.22 |
| Junction City | \$31.14 |
| Corvallis | \$30.89 |
| Eugene | \$28.84 |



Agenda

- Utility Rate Basics
- **Revenue Requirement Review**
 - » Water Utility
 - » Sewer Utility

Key Assumptions: Sewer

Annual Cost Inflation

- Salaries & Benefits: 2.62%
- Other Operating Costs: 1.83%
- Construction Costs: 2.90%

Annual Growth Rates

- Based on forecast of land use

| 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|-------|-------|-------|-------|-------|-------|-------|
| 0.42% | 2.82% | 3.74% | 6.99% | 7.49% | 5.73% | 4.36% |

Operating Forecast

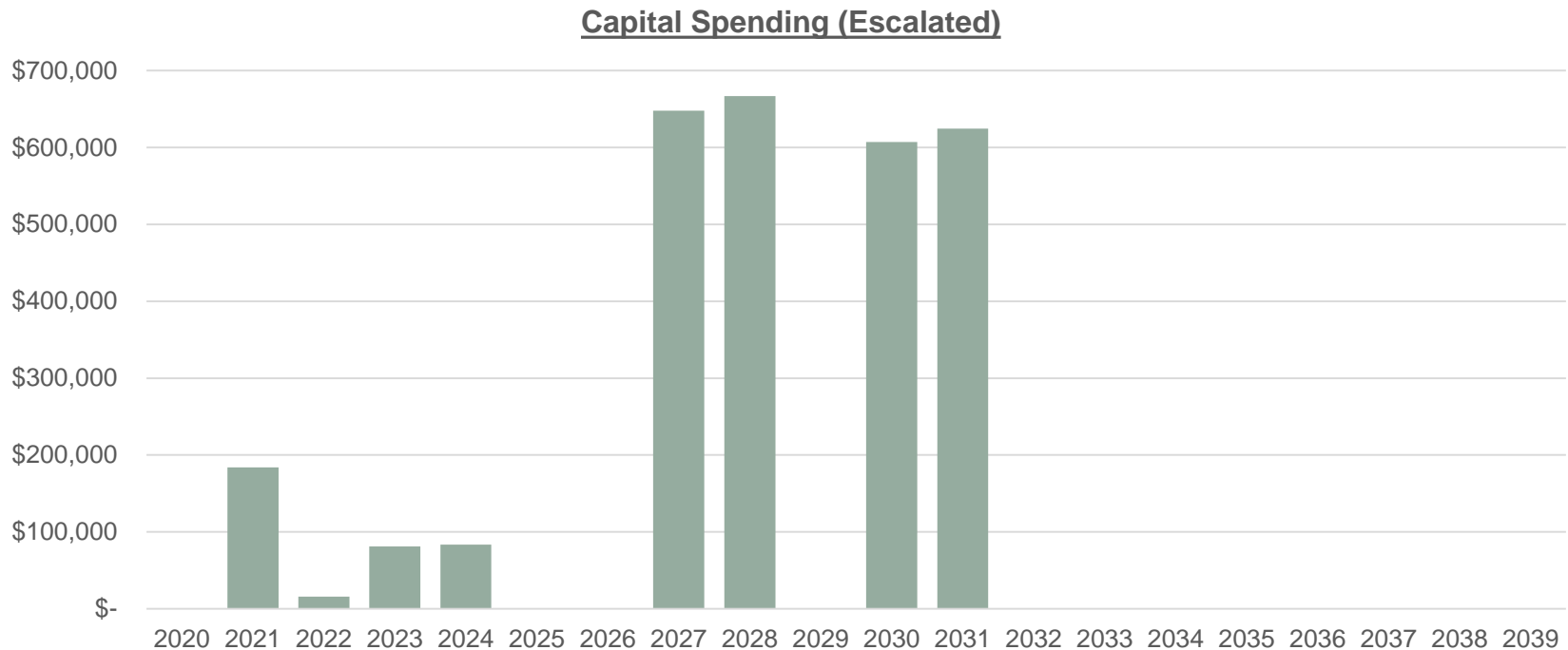
- Rate revenue based on the FY 2020 Budget, escalated by the anticipated customer growth
- Operating costs and non-rate revenues based on FY 2020 Budget
 - Adjusted for inflation in future years

Financial Policies

- Min. Fund Balance Target: 45 days of O&M
- Contingency Reserve: \$350k



Capital Needs Forecast: Sewer

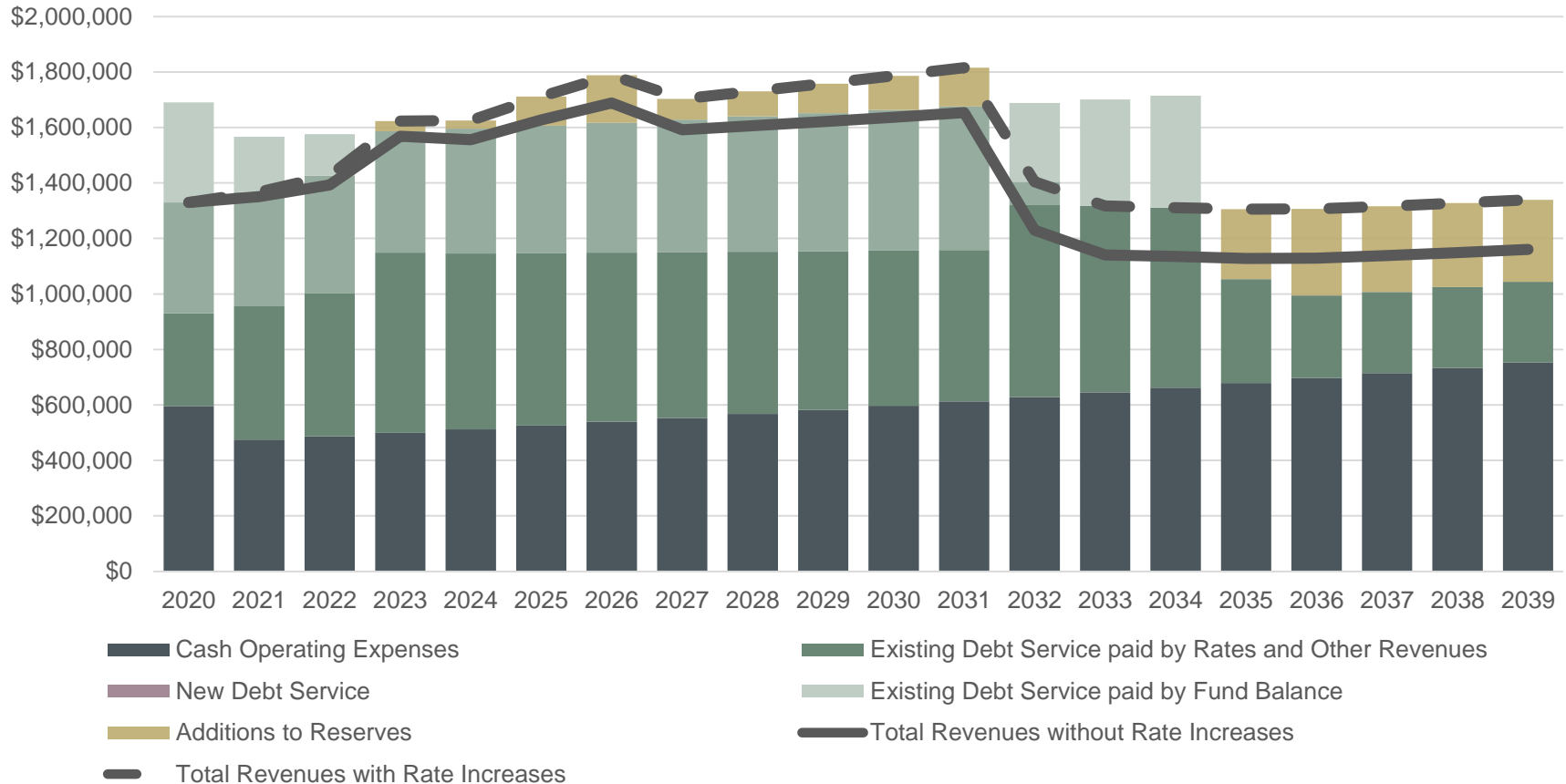


- **\$2.9 million in capital projects from 2020 to 2039**
- **Cash resources from rates and SDCs are expected to cover the all capital costs**



Revenue Requirement Forecast: Sewer

Revenue Requirement Forecast

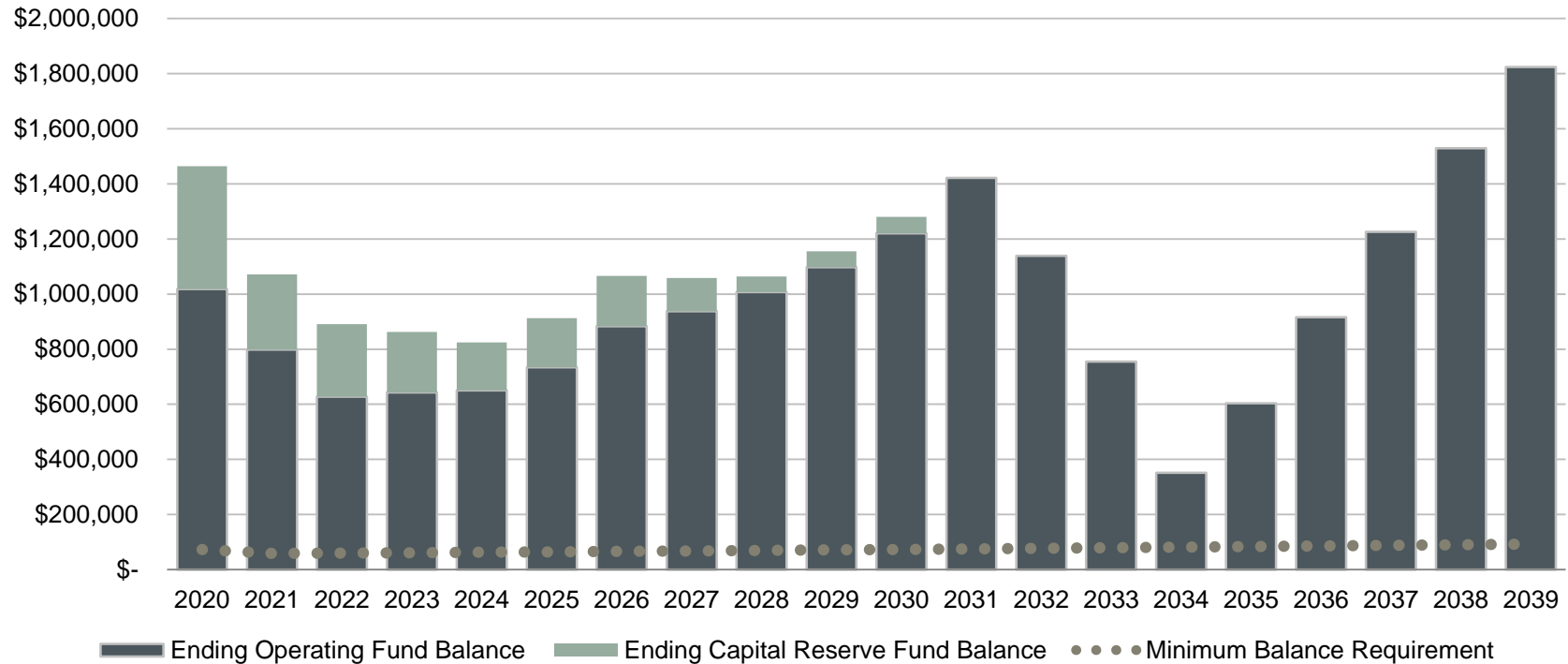


- **Rate increases (starting at 2% per year and tapering to 1% per year) are required to help pay for debt service and rebuild reserves.**



Fund Balances: Sewer

Combined Ending Fund Balance





Sewer Rates

| Across-the-Board Rate Schedule Implementation | Existing | ATB 7/1/2020 | ATB 7/1/2021 | ATB 7/1/2022 | ATB 7/1/2023 | ATB 7/1/2024 | ATB 7/1/2025 | ATB 7/1/2026 | ATB 7/1/2027 | ATB 7/1/2028 |
|---|----------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Annual System-Wide Rate Increase | | 2.00% | 2.00% | 2.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| <u>Fixed Rates per EDU</u> | | | | | | | | | | |
| Wastewater Rate | \$85.00 | \$86.70 | \$88.43 | \$90.20 | \$91.10 | \$92.02 | \$92.94 | \$93.87 | \$94.80 | \$95.75 |
| <u>Assisted Income Rates per EDU</u> | | | | | | | | | | |
| <100% of the poverty level | \$55.00 | \$56.10 | \$57.22 | \$58.37 | \$58.95 | \$59.54 | \$60.14 | \$60.74 | \$61.34 | \$61.96 |
| <125% of the poverty level | \$61.00 | \$62.22 | \$63.46 | \$64.73 | \$65.38 | \$66.03 | \$66.70 | \$67.36 | \$68.04 | \$68.72 |
| <150% of the poverty level | \$67.00 | \$68.34 | \$69.71 | \$71.10 | \$71.81 | \$72.53 | \$73.26 | \$73.99 | \$74.73 | \$75.48 |



Sewer Rates Comparison

| City | Sewer Rates (5 CCF) |
|-------------------|---------------------|
| Coburg (Proposed) | \$86.70 |
| Coburg (Current) | \$85.00 |
| Harrisburg | \$59.58 |
| Veneta | \$55.61 |
| Junction City | \$54.48 |
| Creswell | \$49.04 |
| Cottage Grove | \$47.82 |
| Corvallis | \$34.50 |
| Eugene | \$32.78 |

Thank you!

Questions?

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