

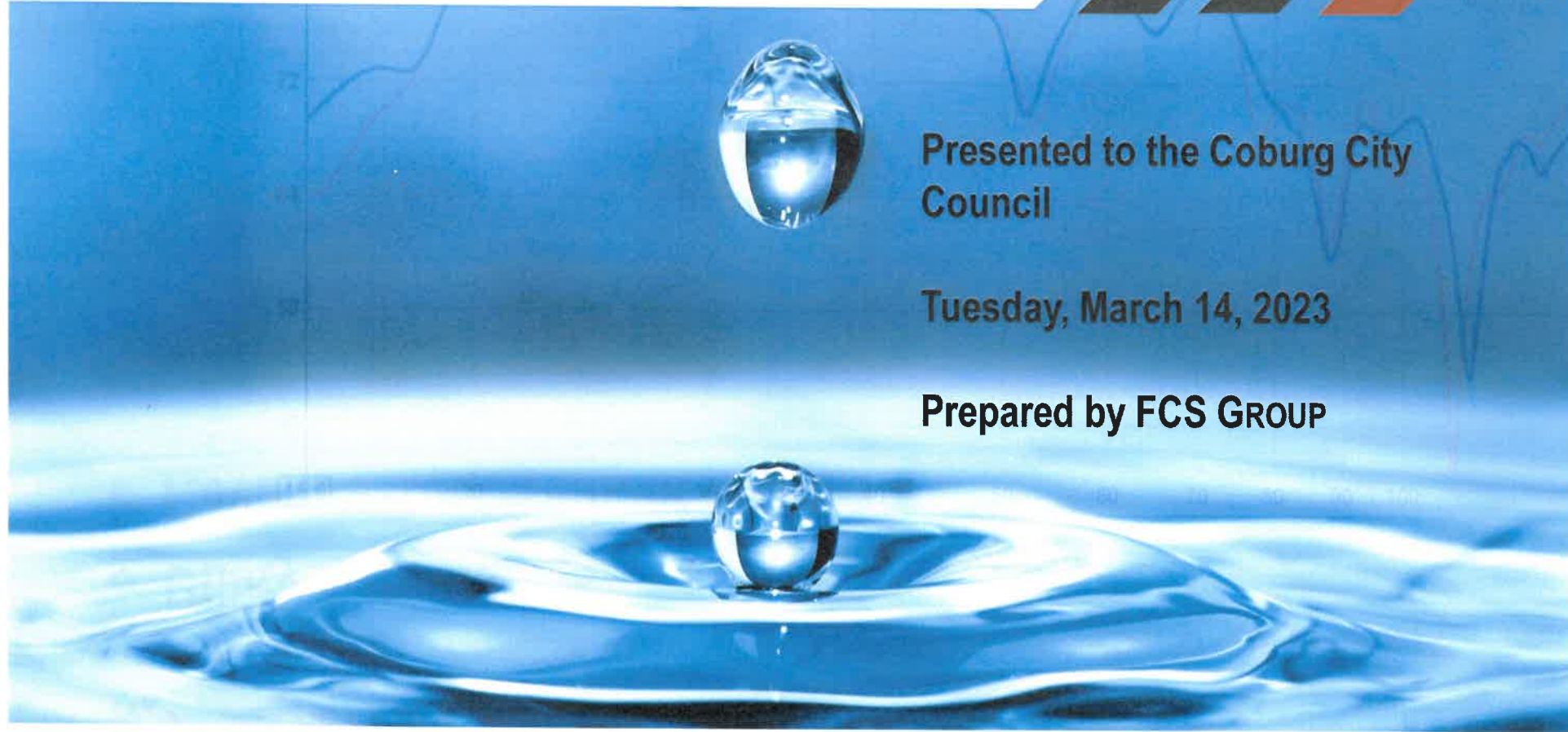
City of Coburg: Water and Sewer Rate Study



Presented to the Coburg City
Council

Tuesday, March 14, 2023

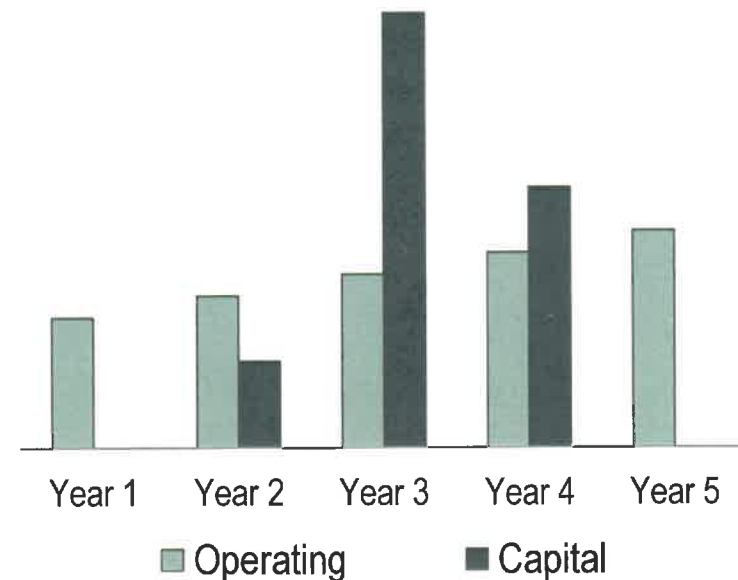
Prepared by **FCS GROUP**





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



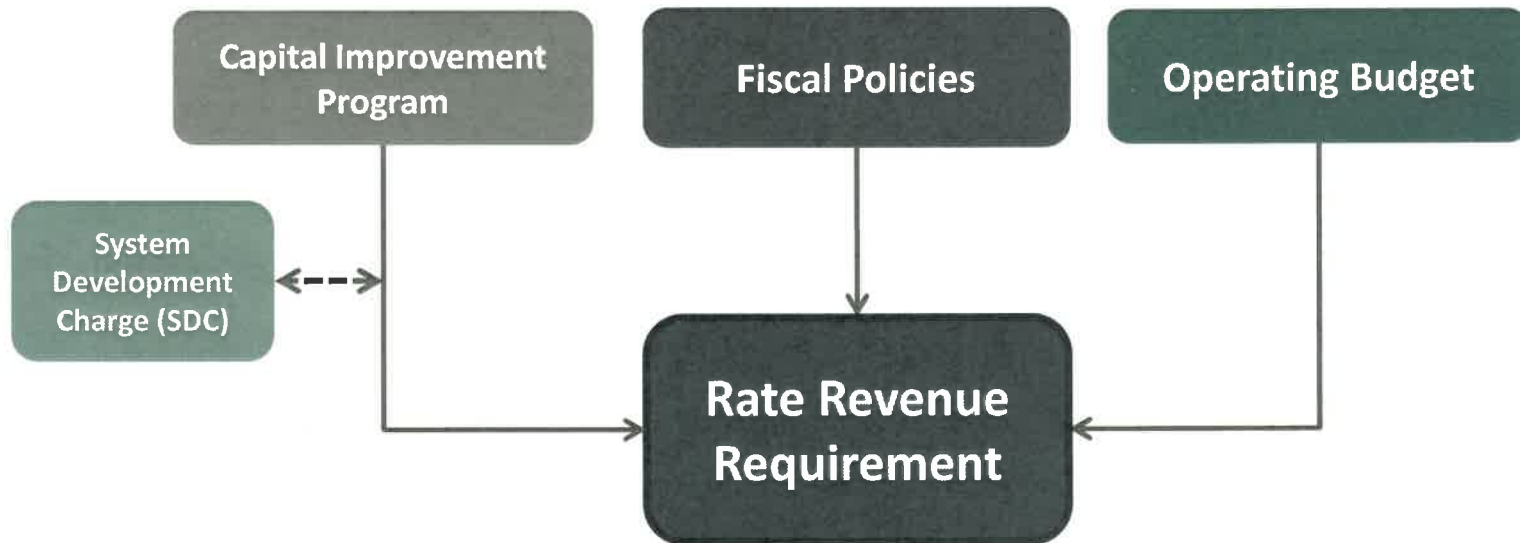


What Should Rates Do?

- **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





Sewer Rates

Across-the-Board Rate Schedule Implementation	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	ATB 7/1/2029
Annual System-Wide Rate Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	1.00%
<u>Fixed Rates per EDU</u>								
Wastewater Rate	\$88.43	\$90.20	\$92.01	\$93.85	\$95.72	\$97.64	\$99.59	\$100.59
<u>Assisted Income Rates per EDU</u>								
<100% of the poverty level	\$57.22	\$58.37	\$59.53	\$60.72	\$61.94	\$63.18	\$64.44	\$65.09
<125% of the poverty level	\$63.46	\$64.73	\$66.03	\$67.35	\$68.70	\$70.07	\$71.47	\$72.19
<150% of the poverty level	\$69.71	\$71.10	\$72.52	\$73.97	\$75.45	\$76.96	\$78.50	\$79.29



Sewer Rates Comparisons

City	Sewer Rates (5 CCF)
Coburg (Proposed)	\$90.20
Coburg (Current)	\$86.70
Veneta	\$64.93
Harrisburg	\$60.75
Cottage Grove	\$60.01
Creswell	\$54.12
Junction City	\$47.63
Corvallis	\$39.56
Eugene	\$35.48

Key Assumptions: Water

Annual Cost Inflation

- Salaries & Benefits: 4.00%
- Other Operating Costs: 4.00%
- Construction Costs: 2.90%

Operating Forecast

- Rate revenue based on FY 2023 estimates, escalated by the anticipated customer growth
- Estimated beginning fund balance for FY 2024
- Operating costs and non-rate revenues based on FY 2022 Budget
 - Adjusted for inflation in future years
 - Debt service reflects recent refinancing

Annual Growth Rates

- Based on forecast of land use

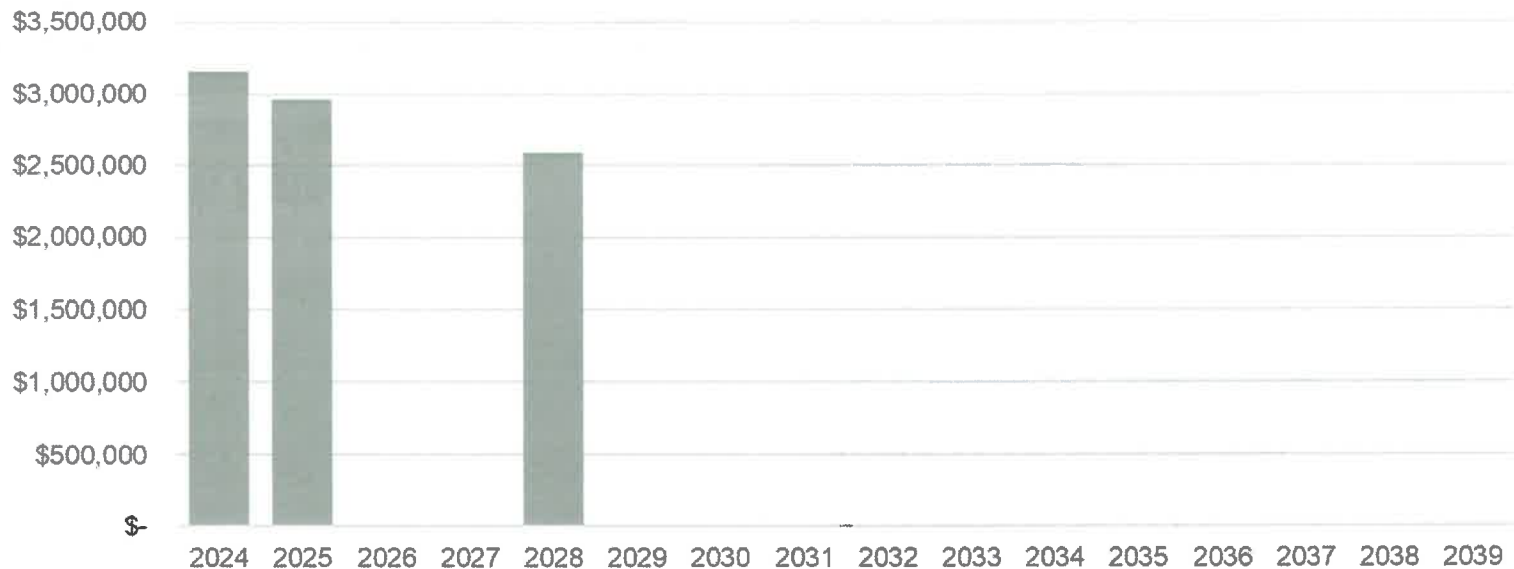
2023	2024	2025	2026	2027	2028	2029
2.71%	2.24%	1.78%	0.74%	0.76%	0.41%	0.41%

Financial Policies

- Min. Fund Balance Target: 90 days of O&M
- Contingency Reserve: \$500k (total between operating and capital reserves)



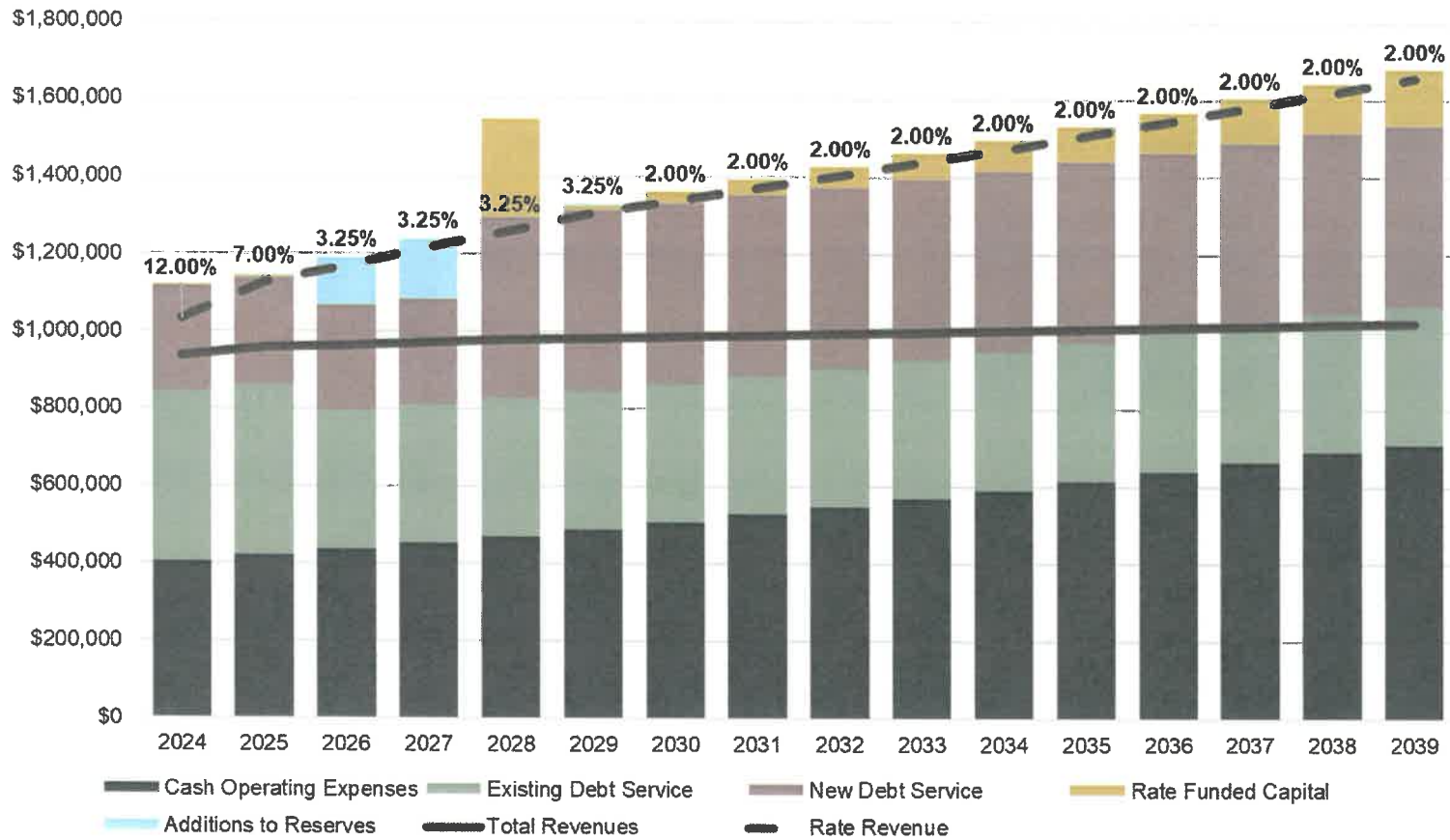
Capital Needs Forecast: Water



- **\$8.7 million in capital projects from 2023 to 2029**
 - » Higher than the 2022 forecast for the 2023-2039 period (\$7.5 million), and with projects occurring earlier
- **\$2.2 million provided by the Business Oregon Regional Solutions Loan**
- **Additional revenue bond issuances of \$5.3 million assumed**
 - » \$3.1 million in FY 2024, \$2.2 million in FY 2028



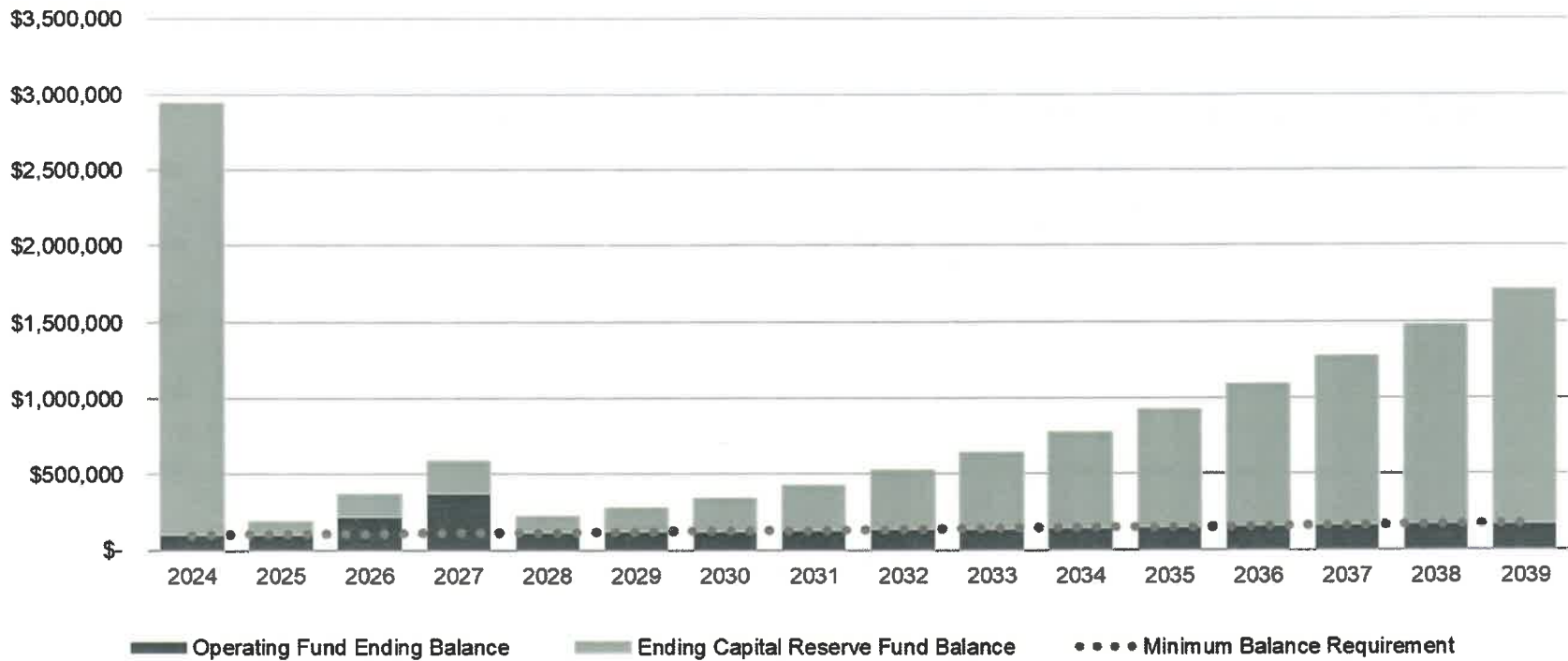
Revenue Requirement Forecast: Water



- Revenue increases needed to meet fund balance targets, pay for capital, and provide debt service coverage



Fund Balances: Water





Fixed Water Rates

Across-the-Board Rate Schedule	ATB	ATB	ATB	ATB	ATB	ATB	ATB	ATB
Implementation	7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028	7/1/2029
Annual System-Wide Rate Increase	0.00%	12.00%	7.00%	3.25%	3.25%	3.25%	3.25%	2.00%
Fixed Charge by Meter and Class (Includes 7 CCF)								
5/8" - 3/4" Residential	\$53.00	\$59.36	\$63.52	\$65.58	\$67.71	\$69.91	\$72.18	\$73.63
5/8" - 3/4" Commercial	\$53.00	\$59.36	\$63.52	\$65.58	\$67.71	\$69.91	\$72.18	\$73.63
1" Commercial	\$95.00	\$106.40	\$113.85	\$117.55	\$121.37	\$125.31	\$129.39	\$131.97
1-1/2" Commercial	\$165.00	\$184.80	\$197.74	\$204.16	\$210.80	\$217.65	\$224.72	\$229.22
2" Commercial	\$250.00	\$280.00	\$299.60	\$309.34	\$319.39	\$329.77	\$340.49	\$347.30
3" Commercial	\$446.00	\$499.52	\$534.49	\$551.86	\$569.79	\$588.31	\$607.43	\$619.58
4" Commercial	\$728.00	\$815.36	\$872.44	\$900.79	\$930.06	\$960.29	\$991.50	\$1,011.33
6" Commercial	\$1,192.00	\$1,335.04	\$1,428.49	\$1,474.92	\$1,522.85	\$1,572.35	\$1,623.45	\$1,655.92
Outside City Limits	\$60.00	\$67.20	\$71.90	\$74.24	\$76.65	\$79.14	\$81.72	\$83.35
3/4" Residential PVE	\$120.00	\$134.40	\$143.81	\$148.48	\$153.31	\$158.29	\$163.43	\$166.70
Limited Income (<100%)	\$23.00	\$25.76	\$27.56	\$28.46	\$29.38	\$30.34	\$31.32	\$31.95
Limited Income (<125%)	\$29.00	\$32.48	\$34.75	\$35.88	\$37.05	\$38.25	\$39.50	\$40.29
Limited Income (<150%)	\$35.00	\$39.20	\$41.94	\$43.31	\$44.71	\$46.17	\$47.67	\$48.62



Tier 1 Water Rates

Across-the-Board Rate Schedule	ATB	ATB	ATB	ATB	ATB	ATB	ATB	ATB
Implementation	7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028	7/1/2029
Annual System-Wide Rate Increase	0.00%	12.00%	7.00%	3.25%	3.25%	3.25%	3.25%	2.00%
Tier 1 Volume Charge: (7 to 10 CCF)								
5/8" - 3/4" Residential	\$3.55	\$3.98	\$4.25	\$4.39	\$4.54	\$4.68	\$4.83	\$4.93
5/8" - 3/4" Commercial	\$3.55	\$3.98	\$4.25	\$4.39	\$4.54	\$4.68	\$4.83	\$4.93
1" Commercial	\$3.55	\$3.98	\$4.25	\$4.39	\$4.54	\$4.68	\$4.83	\$4.93
1-1/2" Commercial	\$3.55	\$3.98	\$4.25	\$4.39	\$4.54	\$4.68	\$4.83	\$4.93
2" Commercial	\$3.55	\$3.98	\$4.25	\$4.39	\$4.54	\$4.68	\$4.83	\$4.93
3" Commercial	\$3.55	\$3.98	\$4.25	\$4.39	\$4.54	\$4.68	\$4.83	\$4.93
4" Commercial	\$3.55	\$3.98	\$4.25	\$4.39	\$4.54	\$4.68	\$4.83	\$4.93
6" Commercial	\$3.55	\$3.98	\$4.25	\$4.39	\$4.54	\$4.68	\$4.83	\$4.93
Outside City Limits	\$3.55	\$3.98	\$4.25	\$4.39	\$4.54	\$4.68	\$4.83	\$4.93
3/4" Residential PVE	\$3.55	\$3.98	\$4.25	\$4.39	\$4.54	\$4.68	\$4.83	\$4.93
Limited Income (<100%)	\$3.55	\$3.98	\$4.25	\$4.39	\$4.54	\$4.68	\$4.83	\$4.93
Limited Income (<125%)	\$3.55	\$3.98	\$4.25	\$4.39	\$4.54	\$4.68	\$4.83	\$4.93
Limited Income (<150%)	\$3.55	\$3.98	\$4.25	\$4.39	\$4.54	\$4.68	\$4.83	\$4.93



Tier 2 Water Rates

Across-the-Board Rate Schedule Implementation	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	ATB 7/1/2029
Annual System-Wide Rate Increase	0.00%	12.00%	7.00%	3.25%	3.25%	3.25%	3.25%	2.00%
Tier 2 Volume Charge: (Over 10 CCF)								
5/8" - 3/4" Residential	\$3.55	\$3.98	\$4.25	\$4.39	\$4.54	\$4.68	\$4.83	\$4.93
5/8" - 3/4" Commercial	\$3.94	\$4.41	\$4.72	\$4.88	\$5.03	\$5.20	\$5.37	\$5.47
1" Commercial	\$3.94	\$4.41	\$4.72	\$4.88	\$5.03	\$5.20	\$5.37	\$5.47
1-1/2" Commercial	\$3.94	\$4.41	\$4.72	\$4.88	\$5.03	\$5.20	\$5.37	\$5.47
2" Commercial	\$3.94	\$4.41	\$4.72	\$4.88	\$5.03	\$5.20	\$5.37	\$5.47
3" Commercial	\$3.94	\$4.41	\$4.72	\$4.88	\$5.03	\$5.20	\$5.37	\$5.47
4" Commercial	\$3.94	\$4.41	\$4.72	\$4.88	\$5.03	\$5.20	\$5.37	\$5.47
6" Commercial	\$3.94	\$4.41	\$4.72	\$4.88	\$5.03	\$5.20	\$5.37	\$5.47
Outside City Limits	\$3.55	\$3.98	\$4.25	\$4.39	\$4.54	\$4.68	\$4.83	\$4.93
3/4" Residential PVE	\$3.55	\$3.98	\$4.25	\$4.39	\$4.54	\$4.68	\$4.83	\$4.93
Limited Income (<100%)	\$3.55	\$3.98	\$4.25	\$4.39	\$4.54	\$4.68	\$4.83	\$4.93
Limited Income (<125%)	\$3.55	\$3.98	\$4.25	\$4.39	\$4.54	\$4.68	\$4.83	\$4.93
Limited Income (<150%)	\$3.55	\$3.98	\$4.25	\$4.39	\$4.54	\$4.68	\$4.83	\$4.93



Water Rates Comparison

City	Water Rates (8 CCF)
Coburg (Proposed)	\$63.34
Creswell	\$57.00
Coburg (Current)	\$56.55
Cottage Grove	\$52.18
Eugene	\$49.99
Veneta	\$42.08
Junction City	\$37.40
Harrisburg	\$35.89
Corvallis	\$35.33