ATTACHMENT A
SCOPE OF SERVICES – 2024 SEWER RATE & GFC STUDY

Task 1: Project Initiation & Management

The Consultant will attend an initial “kickoff” meeting with the City’s project team, which will ideally include representatives from departments that address financial, engineering, customer service, and administrative issues. This meeting will establish a foundation for the project by covering the project scope, objectives, deliverables, schedule, and lines of communication. This task also includes the Consultant’s efforts related to project setup, administration, and ongoing management.

Task 2: Data Collection

The Consultant will provide a data needs list to the City outlining key financial information required to complete the tasks outlined in the proposed work plan and kickoff meeting and will review/validate data that the City provides for inclusion in the study. Validating the data used in the study promotes analytical consistency and integrity throughout the rate study process and can uncover data anomalies that would otherwise impact the study’s forecasts and allocations.

Task 3: Financial Plan

The Consultant will develop a multi-year financial plan to meet the sewer utility’s anticipated operating and capital needs. While this plan will consider a 20-year planning period, it will focus on defining revenue needs and sewer rate recommendations over a six-year period given the potential for changes in economic conditions, regulatory requirements, and other key assumptions over time. Work to be completed as part of this task includes:

- ***Operating Forecast.*** Initially based on the sewer utility’s budget, the forecast of operating revenues and expenses will incorporate inflation and other cost increases (e.g. salaries and benefits) as appropriate. It will also consider changes in staffing and/or program activities anticipated by City staff.

- ***Capital Forecast.*** The Consultant will develop a forecast of capital project costs based initially on the City’s sewer capital improvement plan (CIP), with adjustments for future inflation as appropriate. This task includes developing a funding strategy for the CIP that considers available resources from rate revenues, general facilities charges (GFCs), developer contributions, existing reserves, and debt (if needed). The Consultant will estimate the financial impacts of debt issued as part of the capital funding strategy.

- ***Revenue Sufficiency Analysis.*** The Consultant will evaluate the adequacy of current revenues in meeting both cash flow needs and any applicable debt service coverage requirements, developing a multi-year strategy of annual rate adjustments.

- ***Sensitivity Analysis.*** In collaboration with the project team, the Consultant will develop up to three (3) scenarios to evaluate the impacts of changes to key variables or other factors of interest.

Task 4: Cost-of-Service Analysis

The Consultant will allocate the sewer utility's costs to customer classes based on a methodology consistent with industry-standard ratemaking principles. This analysis will establish a defensible basis for assigning cost shares and defining "equity" among the City's customers in a way that is tailored to the unique characteristics of the City's utility systems and customers. Specific work to be completed as part of this task includes:

- ***Functional Cost Allocation:*** The Consultant will allocate the sewer utility revenue requirement to functions of service such as customer service, flow (capacity needed to convey customer wastewater to the City's treatment facility), and strength (capacity to treat wastewater, typically measured in terms of biochemical oxygen demand, total suspended solids, phosphorus, and other constituents).

- ***Customer Class Cost Allocation:*** The Consultant will allocate the costs assigned to each service function among customer classes (e.g. residential, commercial, industrial) based on their relative demands and service characteristics. For example, utility billing costs would generally be allocated among classes based on the number of accounts served; the allocation of flow costs would be based on the estimated wastewater flows for each class. The allocation of strength-related costs would be based on estimated constituent loadings, with the loadings for each customer class determined using a mass-balance analysis. This task envisions the Consultant's use of customer billing data summarized at the class level, rather than a detailed review of customer billing statistics (e.g. monthly water consumption by account).

- ***Cost Recovery Phasing Plan:*** The Consultant will develop a multi-year strategy to phase in the shifts in cost recovery among customer classes justified by the cost-of-service analysis.

Task 5: General Facilities Charge (GFC) Analysis

RCW 35.92.025 authorizes the City to impose its GFCs as connection charges based on the "cost of the system." The Consultant will calculate GFCs that reflect:

- Existing asset costs, as documented in the City's fixed asset schedules.

- The cost of future capital projects, discussed in the City's planning documents.

- The sewer system's capacity, expressed in terms of equivalent residential units (ERUs). The City's existing sewer GFC schedule defines ERUs for residential users based on the number of dwelling units and for non-residential users based on water meter equivalents (defined by meter size).

This task includes the development of up to three (3) alternatives based on different assumptions and/or methodologies.

Task 6: Documentation

The Consultant will prepare a written report documenting the process, methodology, key assumptions, results, and recommendations of the rate and GFC analyses. Where appropriate, the report will document recommended "best practice" changes to financial policies pertaining to reserve levels and capital project funding.

Task 7: Meetings and Public Process

The Consultant will attend and participate in the following meetings, developing presentation materials as needed:

- Up to four (4) virtual review meetings with City staff, up to two (2) hours each.
- Two (2) onsite meetings with the City Council, up to two (2) hours each plus travel time.
- One (1) onsite open house with the public, up to two (2) hours.

Attendance at additional meetings will be billed on a time-and-materials basis, with the City's authorization.