



**Mountain
Utility Services**

January 04, 2024

City of New Meadows
Attn: Mayor Julie Good
Via Email
New Meadows, Idaho 83654

SUBJECT: Proposal for Public Water System (PWS) User Rate Study

Mayor, Julie Good

Mountain Utility Services is pleased to provide the City of New Meadows (City) with this proposal to evaluate the City's current water rates, customer revenue and system expenses and to develop a new single customer class water rate. The water rate study will present two alternative rate structures; 1) a basic flat customer rate and 2) a base monthly customer rate plus a commodity charge or water use volume charge. The primary goal of developing a new water rate structure will be to collect sufficient water system revenue from customers to allow the City's water utility to provide and pay for annual operation and maintenance (O&M) expenses, capital cost recover and debt service, and to collect and develop sufficient capital, O&M and emergency reserve funds.

As the previous owner of Mountain Waterworks, Tim Farrell, P.E. of Mountain Utility Services, has been collaborating with the Mayor, City Council, and operational staff for over 8 years assisting the City with recently completed water system improvements. If selected, Tim's knowledge of your new and existing water system infrastructure and operational management practices will provide value in development of your new water rate structure.

Listed below are the primary professional services to be provided as part of this Phase 1 Public Water System (PWS) rate study.

SCOPE OF SERVICES

It is our understanding that the City is committed to providing their residents with affordable utility rates that are comparable to other similar sized communities and socioeconomic standing. Water and Sewer user rates have increased throughout the state due to the need for system infrastructure improvements, increasing material and construction costs, and increasing regulatory requirements.

Water rates must be fair and equitable and not impose significant financial hardship on low to moderate income communities such as New Meadows, at the same time meeting the requirements of regulatory, legislative, and regulatory bodies.

It is assumed that the professional services associated with water rates and fees will be broken down into two distinct phases. The initial Phase 1 (Water Rate Analysis and Design) will focus on developing and implementing a new water rate schedule to be reviewed and approved by City Council. A future Phase 2 (Service Fees and System Development Charges) would include development of water system service fees and capacity charges that are not included as part of the water system user rates.

Task 01 – City Council Presentation on Water Rate Basics

- Develop and present short presentation on Water Ratemaking.
- Present proposal to complete water rate study.

Task 02 – Evaluate Customer Base, ERU Calculation

- Review and document existing customer base, by meter size and account type
- Develop and implement Equivalent Residential Unit (ERU) system.
- Define and document ERU methodology.
- Calculate system ERU's to be used in rate development.

Task 03 – Customer Water Usage and Associated Monthly Revenue

- Review and document customer water usage on monthly and annual basis.
- Summarize associated customer revenue both billed and collected.

Task 04 – Collect, Analyze and Forecast Historical O&M Expenses

- Review existing expense and capital chart of accounts of water utility.
- Compare against generally accepted municipal accounting principles.
- Collect, review and document historical O&M expenses.

Task 05 – Annual Capital Requirements and Existing Debt Service

- With the assistance of the Mayor, develop annual capital replacement budgets.
- Document existing water system debt associated with system improvements.
- Develop annual capital and debts service financial requirements.

Task 06 – Develop Reserve Funding Requirements

- Recommend O&M, capital, and emergency reserve funding amounts.
- Develop strategy to generate sufficient revenue to build funds to target goals.

Task 07 – Develop System Revenue Requirement

- Calculate water system revenue requirement to be used in water rate design.
- Utilize O&M, Rate Funded Capital, Debt Service, and reserves in Revenue Requirement.

Task 08 – Water Rate Analysis, Development, and Implementation

- Hold two (2) workshops with Mayor and City Clerk to evaluate progress.
- Develop new rate design to collect sufficient revenue to provide high level water service.

DELIVERABLE

- Present Water Rate Basics to Mayor and City Council
- Two (2) workshops with Mayor and City Clerk
- Draft and Final Water Rate Study
- Rate Study Presentation to City Council

ASSUMPTIONS and EXCLUSIONS

Assumptions:

- A detailed cash needs financial plan is not included as part of this scope of work.
- Cash needs financial plan will be developed and presented by Clearwater Financial
- Water rate study will utilize existing bookkeeping and chart of accounts.
- No conversion to generally accepted accounting principles will be developed as part of this scope of work.

Exclusions:

- Detailed cash-based financial plan is not included.
- Development of capacity charges, development fees, equity buy-in charges.
- No projection growth projections, facility planning,
- Development of misc. development fees, operational fees, late payment fees.
- General Public Meetings on New Rates.
- No Regulatory submittals included.
- Review and modification of water system of chart of accounts.

PROJECT SCHEDULE

Mountain Utility Services is available to commence the proposed scope of work immediately on notice to proceed (NTP) from the City. We anticipate the work product and meetings will take 60 calendar days from NTP.

PROFESSIONAL SERVICES BUDGET

Mountain Utility Services proposes to perform the services outlined in this scope of work on a lump sum, fixed fee basis in the amount of \$12,500.

If this proposal meets your goals and expectations, it may serve as the basis for agreement by affixing a signature in the space provided below. This signature will be considered as the notice to proceed (NTP).

Respectfully Submitted,
Mountain Utility Services

Accepted by:
City of New Meadows

By: _____
Tim Farrell, P.E.
President

By: _____

Title: _____

Date: _____