

# Professional Proposal

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City of Rollingwood, Texas

Water and Wastewater Utility  
LUE Determination Proposal

November 30, 2020



**Nelisa Heddin Consulting, LLC**

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## EXECUTIVE SUMMARY

Nelisa Heddin Consulting, LLC (NH Consulting) is pleased to provide the City of Rollingwood (“City”) with a proposal for a LUE determination analysis City’s Water and Wastewater Utility. NH Consulting will work with the City to develop rate recommendations which will assure adequate revenues for operations and capital improvements on a self-sustaining basis, while considering the economic impact on the Utility’s customers, taking into consideration the cost of providing the services. ***NH Consulting offers the City of Rollingwood unparalleled expertise in the performance of cost of service and rate design analysis.***

NH Consulting is a financial and management consulting firm specializing in meeting the needs of municipal utilities.

NH Consulting intends to provide the City with a comprehensive package of services to enable the City to more efficiently manage its utilities and fully evaluate the City’s utility rate structure.

The following proposal identifies the project team’s qualifications and outlines our approach to the project.

The project team believes that the successful completion of this project will be dependent on the following requirements:

- A project manager who clearly understands the City’s operating environment including long-term and short-term goals and is committed to helping the City identify strategies to achieving those goals
- A project manager who is committed to providing value-added services to the City that go beyond simply the performance of a rate study, but assisting the City in planning for the future of its Utilities
- A project manager who is experienced in the performance of and specializing in cost of service and rate design studies for numerous entities throughout the U.S and is a recognized expert in the industry having testified before the State Office of Administrative Hearings and the State Legislature
- Responsiveness and constant communication with the City

As outlined in this proposal, NH Consulting is uniquely qualified to meet each of these requirements.

# Executive Summary



## **WORK PLAN**

### **Living Unit Equivalents**

The City utilizes a metric called a “Living Unit Equivalent” (LUE) for the purposes of billing base fees for services to commercial customers. Each commercial customer is assigned an LUE factor which is then multiplied by the City’s base fee per LUE. The intent of an LUE is to compare or normalize residential and commercial customers on a like or equal basis. The industry has adopted an LUE as a measurement that converts commercial customers to a like measure on scale of residential (living unit) connections.

### **Project Approach**

While the use of LUEs is common in the industry, the means in which to determine an LUE varies across utilities. Some ways of determining an LUE include meter size, historical use, type of use, and square footage. Each method is valid and has benefits and draw backs which must be evaluated and considered in order to identify the methodology that is most appropriate for each community. The goal of the LUE determinant is to achieve equity among customers while at the same time be easy to understand by customers and to implement by City staff.

It is the understanding of the project team that the LUE factors currently used by the City were determined many years ago and have not been updated or evaluated since. Further, it is the understanding of the project team that the City does not have an internal process to determine or assign LUE factors to new commercial connections. As such, the proposed engagement would:

1. Determine an appropriate methodology to utilize in assigning LUE factors.
2. Evaluate the City’s existing connections and assign LUE factors to all commercial customers using the new methodology.
3. Develop an SOP for the City which would be utilized by City staff to assign LUE factors to new connections.

NH Consulting will develop LUE determinants based upon a variety of available factors including meter size, historical use, type of use and square footage. Each factor will be compared with the available alternatives and the City’s currently assigned factors. NH Consulting will also compare the annual revenue recovery from each alternative. NH Consulting will present the available options to the City and will provide a detailed discussion of the pros and cons of each option for consideration and selection by the Utility Commission and City Council. Once the desired option has been selected, NH Consulting will provide the City with final LUE assignments for the City’s existing connections and will also provide an SOP to be utilized by City staff in the future for assigning LUE factors to future connections.

## Proposed Fees

**NH Consulting proposes to perform the services described herein for a guaranteed-not-to exceed fee of \$3,640.** The City would be billed monthly based upon percentage of completion, with the final payment to be due upon delivery of final report and presentation of findings. The project budget and scope of services presented herein reflect the project team's understanding of the City's specific needs. *The project team is willing to negotiate price based on an adjusted scope of services to meet the City's specific needs and budgetary limitations if deemed necessary.*

# Proposed Fees



## NELISA HEDDIN CONSULTING, LLC PROFILE

NH Consulting is a management consulting firm specializing in the financial planning and management of municipal utilities. NH Consulting works closely with each client to develop strategic, individualized solutions. We provide a full range of services to meet our clients' complex needs including cost of service and rate design studies, impact fee analysis, and budgeting assistance.

NH Consulting works closely with each client to thoroughly understand their unique needs, goals, issues and challenges and develops strategic solutions customized to address the individualized needs of each client.

Services provided by NH Consulting include:

- Cost of Service and Rate Design Studies
- Comprehensive Fee Analysis
- Indirect Cost Allocation Studies
- Impact Fee Analysis
- Pro Forma Analysis
- Bond Issuance Support
- Annual and Long Term Operational Budgeting
- Cost Benefit Analysis
- Comparative Benchmarking Analysis
- Financial Planning and Modeling
- Financial Planning and Modeling
- Financial Planning and Budgeting for CIP Programs
- Public Education Programs
- Service Area Valuations
- Feasibility Analysis
- Regionalization Planning and Implementation
- Expert Witness Testimony
- Legislative Support
- Billing System Reviews and Implementation

### Strategic – Innovative - Excellence

Nelisa Heddin, president of NH Consulting, is Past Chair of the Texas AWWA Rates and Charges Sub-Committee, and is still actively involved in this professional organization. Ms. Heddin brings the most innovative solutions in the industry to each of her clients – allowing her to develop customized strategies to meet each of her clients needs.

Firm Profile



## PROJECT TEAM PROFILE

### NELISA HEDDIN, PROJECT MANAGER

Ms. Heddin will serve as the project manager for this engagement, bringing over 19 years in utility rate design to this engagement. Ms. Heddin will be performing the financial analysis and will responsible for the overall quality control for this engagement.

Ms. Heddin is an industry expert in financial planning and management for municipal utilities, specializing in cost of service and rate design studies, impact fee analysis, cost benefit analysis, and annual and long-term budgeting. Ms. Heddin has over 19 years experience in providing consulting services to utilities of all sizes throughout the Southwest. She is a Past-Chair of the Texas AWWA Rates and Charges Sub-committee and has been invited to speak at numerous industry functions regarding cost of service issues, rate design, water loss and capital financing.

### Expertise You Can Rely On – Quality You Can Trust

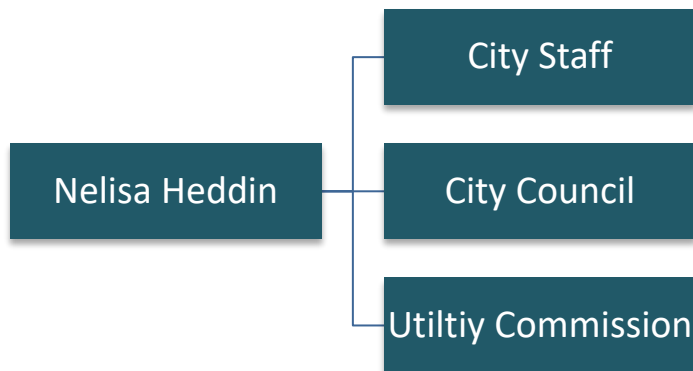
NH Consulting assigns a single project manager who services as project manager and analyst for each engagement – this ensures continuity throughout each engagement. Nelisa Heddin, the proposed project manager for this engagement, is a leading expert in cost of service and rate design studies, having worked for entities across the United States such as the Cities of Dallas, Phoenix, Tucson, Little Rock, Webster, Pflugerville, and Georgetown.

# Project Team Profile



## Organizational Chart

Nelisa Heddin, president of NH Consulting, will be working directly with the City on this engagement. While administrative staff may be utilized to some degree to assist in some areas such as data entry, Ms. Heddin will perform the financial analysis, write the report and will work directly with the City. It is the perspective of NH Consulting that the City must have direct access to the expert in this field rather than staff who have limited experience. As such, the organizational chart for this engagement is very simple:



# Nelisa Heddin

President

## Professional Background

Nelisa Heddin is an industry expert in financial planning and management for water and wastewater utilities; specializing in cost of service and rate design studies, impact fee analysis, cost benefit analysis, and annual and long-term budgeting. Ms. Heddin has over 16 years experience in providing consulting services to utilities of all sizes throughout the Southwest. Ms. Heddin has a Masters of Business Administration with a specialty in Finance. She is a Past-Chair of the Texas AWWA Rates and Charges Subcommittee and has been invited to speak at numerous industry functions regarding water and wastewater rates, rate design, water loss, and capital financing.

## Education

B.S., Biology, New Mexico State University, 1996

MBA, Finance, New Mexico State University, 1999

## Professional Affiliations

American Water Works Association

Past Chairman Texas AWWA Rates and Charges Subcommittee

Texas Municipal League

Texas Government Financial Officers Association

## Sample of Relevant Project Experience

### Cost of Service and Rate Design Projects

Bistone Municipal WSC

City of Alamo Heights, Texas

City of Bastrop, Texas

City of Bonham, Texas

City of Burnet, Texas

City of Cameron, Texas

City of Copperas Cove, Texas

City of Corinth, Texas

City of Cuero, Texas

City of Del Rio, Texas

City of Friendswood, Texas

City of Garland, Texas

City of Gladewater, Texas

City of Horseshoe Bay, Texas

City of Idabel, Oklahoma

City of Krum, Texas

City of Lago Vista, Texas

City of Leon Valley, Texas

City of Little Rock, Arkansas

City of Lindale, Texas

City of Mexia, Texas

City of Midland, Texas

City of Missouri City, Texas

City of Moulton, Texas

City of Murphy, Texas

City of New Madrid, Missouri

City of North Lake, Texas

City of Pecos, Texas

City of Pflugerville, Texas

City of Phoenix, Arizona

City of Richmond, Texas

City of Selma, Texas

City of Southside Place, Texas

City of Sweet Water, Texas

City of Webster, Texas

City of Wortham, Texas

Eldorado Area WSD

Fair Management, LC

Gorforth SUD

La Ventana Utilities

MB Wastewater Services, LLC

Quail Valley Utility District

Southern Crossing Utilities

Travis County WCID #17

West Travis County Public Utility Agency

Whiterock Water Supply Corporation

Resume





### Impact Fee Studies

West Travis County Public Utility Agency	City of Burnet, Texas
City of Southside Place, Texas	City of Corinth, Texas
City of Cuero, Texas	City of Missouri City, Texas
City of Bastrop, Texas	

### Valuation Analysis

Central Texas UDC	U.S. Navy	Green Valley SUD
West Travis County Public Utility Agency	City of Dallas, Texas	City of Fort Worth, Texas

### Operations and Management Reviews

Quail Valley Utility District	City of Bastrop, Texas	City of Gladewater, Texas
City of Waco, Texas	City of Uvalde, Texas	City of Galveston, Texas

### Other Projects

Central Texas UDC - Facilities Acquisition Negotiations	City of Bee Cave - Litigation Support and Expert Witness Testimony
City of Georgetown/ Chisholm Trail SUD - Regionalization Feasibility	La Ventana - Litigation Support and Expert Witness Testimony
City of Georgetown - Contract Assignment Consents	White Bluff Rate Payers - Litigation Support and Expert Witness Testimony
City of Lakeway – Review of Utility Rates of Lakeway MUD	Canyon Lake Rate Payers – Litigation Support and Expert Witness Testimony

### **Publications and Presentations**

Texas H2O, November/December 2004, “Finding the Water: How to Cope with HB3338”  
Office of Rural Community Affairs, 2004 – Water Related Training for Local Leaders  
Texas Water, 2004 – Professional Paper - Water Audits, Water Loss and HB3338  
Texas Rural Water Association Annual Conference 2002– Presentation – Encroachment Issues  
Incode Education Forum, 2007 – Selling Utility Rate Studies  
Texas Water, 2006 – Water Loss Determination  
Munis Education Forum, 2006 – Utility Rate Analysis  
Incode Education Forum, 2006 – Utility Rate Analysis  
TAWWA Rate Seminar, 2010 - Utility Rate Analysis  
GFOAT, 2005 – Capital Financing Seminar  
GFOAT Gulf-Coast Chapter, 2005 – Presentation – The GFO's Water Challenges

## References

### West Travis County Public Utility Agency Financial Manager Cost of Service and Rate Design Study

<b>Project Description</b>	Nelisa Heddin became familiar with the West Travis County water and wastewater systems beginning in 2007 during a contested proceeding between the Lower Colorado River Authority (LCRA) and the City of Bee Cave and eventually testified on the equitability of the rates implemented by the LCRA before the State Office of Administrative Hearings (SOAH). Ultimately, the City of Bee Cave along with Travis County MUD #3 and Hays County ended up purchasing the systems and created the West Travis County Public Utility Agency (Agency) to own and operate the systems. Ms. Heddin assisted in the acquisition of the systems and the transition of the operation of the systems to the Agency. Ms. Heddin served as the Financial Manager for the Agency assisting with budgeting, revenue tracking, and the many challenges associated with this large, regional system through 2014. Ms. Heddin has completed 4 cost of service and rate design studies for the Agency, with the most recent analysis completed in May, 2019.
<b>Project Completion</b>	2012 – present
<b>Project Highlights</b>	Financial Manager Annual Budgeting Impact Fee Analysis Wholesale Rate Analysis Cost of Service and Rate Design Capital Improvement Planning Public Education
<b>Contact</b>	Jennifer Riechers West Travis County Public Utility Agency General Manager (512) 263-0100  12117 Bee Cave Rd. Building 3, Suite 120 Bee Cave, Texas 78738 <a href="mailto:jriechers@wtcpua.org">jriechers@wtcpua.org</a>

### City of Southside Place, Texas Cost of Service and Rate Design Study

<b>Project Description</b>	In 2008, Nelisa Heddin conducted a Cost of Service and Rate Design study for the City of Southside Place. The analysis evaluated the cost of providing services to residential and commercial customers and made recommendations to adjustments in rates based upon those costs. Ms. Heddin was asked to return in 2014 to conduct a follow-up study; she is scheduled to present recommendations to City Council in May, 2014.
<b>Project Completion</b>	2008, 2014
<b>Project Highlights</b>	Cost of Service and Rate Design Transitional Implementation Plan Capital Improvement Planning
<b>Contact</b>	David Moss City of Southside Place, Texas City Manager (713) 668-2341  6309 Edloe Ave Houston, Texas 77005 <a href="mailto:citymgr@southside-place.org">citymgr@southside-place.org</a>

## City of Webster, Texas Cost of Service and Rate Design Study

<b>Project Description</b>	Nelisa Heddin started working with the City of Webster in 2004 when she conducted a Cost of Service and Rate Design study for the City. At that time, the City was not charging residential customers for water and wastewater services – they had a “live free in Webster campaign.” During the post-9/11 economic downturn, the City could no longer utilize tax-revenues to subsidize their utilities. Ms. Heddin worked closely with City staff to develop a transitional implementation plan which would slowly increase rates over time to achieve cost of service. Ms. Heddin has been asked to assist the City in subsequent studies in 2007 and 2013.
<b>Project Completion</b>	2004, 2007 and 2013
<b>Project Highlights</b>	Cost of Service and Rate Design Transitional Implementation Plan Capital Improvement Planning Public Education
<b>Contact</b>	Mike Rodgers, CPA City of Webster, Texas Director of Finance (281) 316-4102  101 Pennsylvania Ave Webster, Texas 77598 <a href="mailto:mrogers@cityofwebster.com">mrogers@cityofwebster.com</a>

## City of Corinth, Texas Cost of Service and Rate Design Study

<b>Project Description</b>	In 2006, Nelisa Heddin conducted a Cost of Service and Rate Design study for the City of Corinth. As the City had difficulty getting rate recommendations passed in the past, Ms. Heddin worked closely with City staff to develop strategies that would ensure adoption by the City’s elected officials and acceptance by the public. The analysis had to consider substantial capital improvements required on the system and developed rates to recover the revenues necessary to keep the system in compliance. Since the original analysis, Ms. Heddin has been invited to assist the City in evaluating rates in 2007, 2008, 2009, 2010 and 2013.
<b>Project Completion</b>	2006, 2007, 2008, 2009, 2010 and 2014
<b>Project Highlights</b>	Cost of Service and Rate Design Benchmarking Analysis Transitional Implementation Plan Capital Improvement Planning
<b>Contact</b>	Lee Ann Bunselmeyer City of Corinth, Texas Director of Finance (940) 498-3280  3300 Corinth Parkway Corinth, Texas 76208 <a href="mailto:lbunselmeyer@cityofcorinth.com">lbunselmeyer@cityofcorinth.com</a>