

Stephenville, TX Stormwater Fee Rate Study and Rate Structure Analysis

PROPOSED SCOPE OF WORK

Project Understanding

The City of Stephenville, TX (City) is seeking a stormwater rate study and possible update to its rate structure. The City has not had an update to its rate in a few years, and revenues are insufficient to fund program needs. Currently, nearly all revenues service debt obligations, and very little funding is available to support operations and maintenance of the critical drainage infrastructure. The City also has a long list of stormwater capital projects to improve, enhance, and expand stormwater infrastructure in the City. The proposed rate study and possible rate structure update will provide the City with options moving forward to increase revenue and enhance its stormwater program.

Project Approach

TASK 1 – DATA COLLECTION & REVIEW

As part of this task, we will collect both financial and GIS data from the City. Raftelis will collect budget, capital plans, debt schedules, and other available financial data. Historical information will be reviewed related to revenues and collections to provide a better understanding of historical trends. Raftelis will work with the City to collect the current tax parcel, land use data, aerial imagery, impervious area, and zoning data as available for GIS analysis. During the data collection and review, we will begin to identify assumptions used to allocate and project costs that will be integrated into our model. As these assumptions are identified, City staff will have an opportunity to review our findings to ensure that the assumptions make sense with regard to the City's stormwater system.

TASK 2 – FINANCIAL PLAN DEVELOPMENT

Initially, we will establish short and long-term financial plans for the City's utility. In preparing these plans, we will analyze the City's current policies and practices for funding its operations and debt service requirements. We will assist in the development of a full financial planning model that will accommodate multiple scenarios for a capital plan at various lengths of time (10, 20, and 30 years). In discussions with City staff, we will consider various funding options or a combination of options, such as operating revenue and potential debt issuances, to address the capital backlog. Raftelis will also develop a plan to manage debt coverage. The City has indicated a desire for an increase in level of service for operations, so this will be taken into consideration when creating a financial plan. In this task, Raftelis will build an open-source Microsoft Excel-based financial model to establish the financial plan, and under task 3, model rates under an alternative rate structure. The model will include a tabular accounting method using revenue requirements provided by the City and units of service data developed as part of this project. The model will include rate calculations under up to three rate structures and a pro forma cash flow. Raftelis will work with City staff to select a preferred rate structure from among the alternatives. Users of this tool will be able to edit inputs and assumptions, in addition to revenue requirements, to impact rates and downstream analyses. The model will be delivered to City staff for their own use moving forward.

TASK 3 – RATE STRUCTURE EVALUATION & CUSTOMER IMPACT ANALYSIS

Currently, the City has a rate structure founded on estimated impervious area (calculated using gross area of property and land use-based intensity of development). Through this rate structure evaluation, we will provide up to 3 different rate structures for the City to review and consider, and have a conversation with City staff to determine which rate structure we should go forward with in analyzing. We may consider a refined estimated impervious area/area-intensity of development structure, measured impervious area, or other rate structure alternatives. Often, the billing unit for impervious area is a community-specific equivalent residential unit (ERU). An accurate ERU value is foundational to establishing equity between rate classes. The City has an established ERU, but it was calculated long ago and should be updated as part of the overall data update and rate structure assessment. To determine the ERU, Raftelis will measure the impervious area in ArcMap for a random sample of approximately 400 residential properties. We will ensure that the sample is representative geographically, across single family residential housing types, and across developments of different ages. Raftelis will determine an appropriate ERU based on our analysis. At the City’s direction, we may also digitize a sample of up to 12 non-single family residential properties of varying sizes and types (such as non-profits, churches, large businesses, small/downtown businesses, etc.) to inform the rate structure evaluation and support communication efforts.

Our GIS team is skilled at using parcel data, planimetric data, and aerial imagery to identify and create an impervious area layer. We recognize the importance of accuracy in maintaining parcel boundaries and capturing impervious area features for each parcel, as this data will be the foundation of fees charged to each parcel. Our team recognizes the difference between public impervious areas, such as streets and sidewalks, and ensures these features are treated consistently across the service area; this ensures accuracy and fairness in ERU and rate calculations. We pay close attention to details that, when shared with decision makers and ratepayers, instill confidence in the underlying data. An example of our work is shown to the right, where measured impervious surfaces are shown in translucent yellow.



Raftelis will provide the City with any final work products such as digitized impervious surface layers or associated tabular data and analysis. These rate structure options are designed to allow the City to meet its financial objectives and goals while achieving improved rate stability and revenue sufficiency.

We will also develop a comparison of the cost of service to rate recovery under the recommended rate developed as well as currently existing rates. This analysis will allow the City to understand any potential inequities in the existing rate structure as well as how any proposed changes to the rate structure, if applicable, addresses those inequities and subsequently impacts ratepayers.

TASK 4 – RATE & RATE STRUCTURE FINALIZATION

In this task, Raftelis will work with the City to finalize the rate and/or rate structure recommendation, if applicable, that best aligns with the City’s goals. Raftelis will develop a 5-year rate plan, which includes planned rate increases, to both phase in the new rate as well as keep up with general inflation and increased revenue requirements.

TASK 5 – ORDINANCE UPDATE

The Raftelis team will work with the City Attorney and City staff to offer recommended revisions to the City's Drainage Utility System ordinance (Stephenville Code of Ordinances, Chapter 52) to accommodate an updated rate structure, if applicable, and rates. Finalization of the ordinance will be the responsibility of the City's Attorney.

Raftelis will assist with presenting the ordinance updates, changes to the rate structure, if applicable, and recommended rates to the City Council, including the preparation of supporting materials for the presentation. These materials are an opportunity to educate the Council and the public on why revised rates are necessary, how they serve the community's interests, and why the City has chosen the proposed rate structure, if applicable.

TASK 6 – REPORT DEVELOPMENT & PRESENTATION SUPPORT

Draft Report

The draft report will document the rate development process, describe any recommended changes to the existing rate structures and the reason for such changes, and present the results of the cost-of-service and rate study. An electronic copy of the draft report will be presented to City staff for their review and comment.

Final Report

Raftelis will incorporate the City staff's comments on the draft report into a final report. Upon finalization of the report, the City will be provided an electronic copy of the report and the final rate model.

Presentations

We will prepare a PowerPoint presentation summarizing the rate study process, findings, and recommendations in a clear and concise manner. We will provide a draft of this presentation to City staff for their review and comment prior to delivering the final version.

Project Schedule and Fee

We propose the completion of the services described in this scope by October 1st, 2024. The estimated schedule is as shown here but may be refined in discussions with City staff.

TASKS	2024							
	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
1. Data Collection & Review	●							
2. Financial Plan Development				●				
3. Rate Structure Evaluation & Customer Impact Analysis		●	●					
4. Rate & Rate Structure Finalization						●		●
5. Ordinance Update								●
6. Report Development & Presentation Support							●	● ●

- Meetings
- Deliverables

For this engagement, we propose a not-to-exceed cost of \$46,890. It is our practice to bill monthly based on actual time and expenses. Total fees will be limited to the not-to-exceed amount unless specific approval for an adjustment in scope is received.

Tasks	Hours					Total Fees & Expenses
	HL	KC	TH	RG	Total	
1. Data Collection & Review	2	2	8		12	\$2,960
2. Financial Plan Development	4	8	30		42	\$9,970
3. Rate Structure Evaluation & Customer Impact Analysis	2	12	40	50	104	\$18,750
4. Rate & Rate Structure Finalization	1	5	10		16	\$3,970
5. Ordinance Update	2	10	0		12	\$4,040
6. Report Development & Presentation Support	6	8	12		26	\$7,200
Total Meetings / Hours	17	45	100	50	212	
Hourly Billing Rate	\$360	\$320	\$185	\$115		
Total Professional Fees	\$6,120	\$14,400	\$18,500	\$5,750		
					Total Fees	\$44,770
					Expenses	\$2,120
					Total Fees & Expenses	\$46,890

HL - Henrietta Locklear
 KC - Katie Cromwell
 TH - Taylor Holliday
 RG - Rob Garrett