

## City Council Action Item Cover Sheet

DATE: June 5th Council Meeting

### Agenda Item:

Resolution of problems with the Utility Billing System

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### Question Before Council:

- 1- Council or City Staff notify each Account Holder for large users the amount over or under billed.
  - 2- Publish the names and amounts of each Account Holder over or under billed.
  - 3 - Approve contract with out-side specialist to review billing system and develop new approach to  
billing for water and wastewater - estimated cost is \$24,000
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### Person/Group Initiating Request:

Public Works and Streets Commission

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### Item Summary/Background:

The problems with the current Utility Billing System began about 3 years ago. There are 2 major  
problems: 1) is the improper billing of the large users where they either under or over billed for services  
2) double billing for capital improvements (this was fixed on the May 2019 billing. It is also possible there  
are other problems. The problem was uncovered late in 2018. There were 3 PW&S Commission  
meetings. The April meeting where this recommendation was developed included input and discussions  
with commissioners, staff, and members of the audience.

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DATE: June 25, 2019

TO: W. John Moore, Mayor  
Yachats City Council

FROM: Shannon Beaucaire, City Manager

SUBJECT: Proposed Utility Rate Study

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Dear Mayor and City Council,

Attached, please find the April 18, 2019 quote from the Oregon Association of Water Utilities (OAWU) to conduct a water and wastewater rate study.

Upon further discussion with Mr. McClung, OAWU confirmed that their typical timeframe for completion is 6-8 weeks. OAWU also outlined their broad approach to conducting utility rate studies as follows. I have contacted the Projects Manager that Mr. McClung has been working with for further details and is awaiting a call back after the Projects Manager returns from a conference.

I have attached the quote the City received from the FCS Group as a comparison. The FCS Group recently completed a utility rate study for the City of Newport.

#### **OAWU Approach to Utility Rate Studies**

The Oregon Association of Water Utilities' approach towards completing a formal water (wastewater) rate study and includes the following:

1. After acceptance of our quote, we gather information that is relevant to completion of study.
2. Initial review of numbers.

- a. Productions numbers
  - b. Total Revenues – (monthly/ annually)
  - c. Total Expenditures
3. Coordinating those numbers into various scenarios.
  - a. Using industry standards to compare examples of rates as they relate to both the base rate and the consumption rate. (EDUs for wastewater)
  - b. Show various examples to determine fairness among all types of users. (large/small)
4. Discuss with contact person (Council Meeting) the most acceptable approach for the community.
5. Upon confirmation, complete the final report.
6. Set up workshop with governing authority to discuss the study.
7. Provide assistance and conduct meeting with the consumers (general public)
8. As rates are implemented, continue assistance with contact person gathering actual monthly or quarterly numbers.
9. Upon system request, review one year of figures to confirm the recommendations in the study coincide with system's financial operations.

This approach has been developed over a number of years, with the primary objective at providing figures to keep the water system operating in the black, and justifiably create a fair and equitable rate for all users.



# Oregon Association of Water Utilities

935 N. Main St., Independence, OR 97351 • 503-837-1212 • Fax 503-837-1213

Serving Oregon's Water & Wastewater Utilities since 1977



April 18, 2019

Yachats, City of  
Attn: Shannon Beaucaire  
PO Box 345  
Yachats, OR 97498

Dear Ms. Beaucaire:

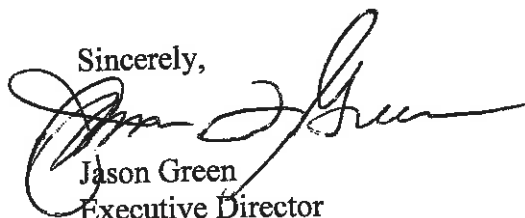
Oregon Association of Water Utilities will be pleased to conduct a water rate study for the City of Yachats for a fee of approximately thirteen thousand dollars (\$13,000.00). This includes two visits to outline the rates, as well as discuss any options. The following is made known to clarify the process.

- Obtain additional information from contact person to assist the project.
- Schedule meeting(s), telephone calls, and e-mails to stay abreast of the project.
- Provide a draft copy for review and or changes of project's content.
- Provide a final report, meeting the expectations of the client.
- City of Yachats shall not be invoiced by OAWU until the project is complete
- Maintain client satisfaction throughout project timeline or receive no statement.
- If called upon, succeeding year to confirm the effectiveness of the selected rates.

When recommended water rates are implemented, OAWU will begin to draft rates for the wastewater study as step two. The process entails the above bulleted points. The fee of approximately eleven-thousand dollars (\$11,000) for the wastewater rates study will only be billed when completion of report.

These services are provided to OAWU members only as an expanded member benefit with exceptional cost savings to the member. If this meets your requirements, please send us a letter of confirmation agreeing to the services to be provided as stated in the above paragraph as well as the timeline for completion of the water rate study. This proposal is in effect for 90 days from the April 18, 2019. If you have any questions, please feel free to contact our office at 503-837-1212 or e-mail Tim Tice at [tice@oawu.net](mailto:tice@oawu.net).

Sincerely,



Jason Green  
Executive Director

Proud  
Member of



# CITY OF YACHATS

## UTILITY COST-OF-SERVICE ANALYSES AND SYSTEM DEVELOPMENT CHARGES

The following work tasks have been developed to complete cost-of-service rate and system development charge analyses for the water and wastewater utilities of the City of Yachats. We follow a structured method to arrive at rate conclusions, which will enable us to perform the work in an orderly, efficient and results-oriented manner. The tasks noted below will be completed for each utility unless specifically noted otherwise.

### TASK PLAN

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#### 1. KICKOFF

##### TASK

1

Task 1 initiates the study and provides for the majority of data collection. This task includes the following elements:

- Preparing a data request for information needed for the study, following up with City staff as needed to obtain additional data and resolve questions.
- Attending onsite kickoff meeting to discuss the data request, key policy options and objectives, and study goals.
- Preparing monthly invoices and progress reports for the City.

##### BENEFIT



The kickoff meeting sets a clear path for project progression and communication through formal introduction of the project team, identifying project objectives and deliverables, and confirming key project milestone dates.

#### 2. REVENUE REQUIREMENT ANALYSES

##### TASK

2

Task 2 is the analysis of revenue requirements for the water and wastewater utilities. This task includes the following elements:

- Projecting capital funding needs based on the City's master plans and developing a related funding strategy.

- Forecasting the cost of ongoing operations, maintenance, administration, debt service, and other cash obligations of the City's utilities. FCS GROUP will incorporate economic factors such as anticipated customer growth and cost inflation, as well as additional operating expenses resulting from constructed improvements or known operational changes (e.g. staffing adjustments).
- Assessing the sufficiency of the City's current rates in funding the needs of each utility. FCS GROUP will compare each utility's projected cash requirements against its projected revenue at existing rate levels, determining the annual rate adjustments needed to satisfy projected cash obligations and comply with the City's fiscal policies.
- Meeting with City via video conference review and discuss initial findings.



The revenue requirement analyses will provide a clear and transparent connection between the financial needs and policies of each utility and the level of rate revenue that is needed each year of the forecast period. In addition, the analyses will provide a tool for analyzing the tradeoffs of delaying or modifying planned capital projects.

### 3. COST-OF-SERVICE ANALYSES



Task 3 is the equitable allocation of a utility's revenue requirement to the customer

categories of that utility. This task includes the following elements for each utility:

- Compiling customer billing statistics (e.g., water meter size, monthly water usage), using the City's prevailing rate schedules and reported revenues to calibrate the data. This process helps identify and correct anomalies in the raw data set, providing a more reliable basis for allocating costs and designing rates.
- Developing an allocation of the utilities' revenue requirements to customer classes in accordance to industry-standard methodologies:
  - » Allocating costs to functions of service. For this purpose, we will utilize documented system planning criteria and input from City staff to establish allocation principles that reflect the City's systems and cost structures.
  - » Allocating the costs assigned to each function to customer classes based on their demands and service characteristics.
- Meeting with City staff on-site to review and discuss initial findings.



The cost of service analyses will provide each customer class with a clear and transparent connection between the cost that it imposes on each utility and the price that it is paying for service.

## 4. RATE DESIGN ANALYSES

### TASK

4

Task 4 is the design of rate schedules for the water and wastewater utilities. This task includes the following elements for each utility:

- Reviewing the City's policy objectives and preferences.
- Developing a set of rate design options.
- Evaluating sample bill impacts for each rate design option.
- Facilitating a video conference to discuss draft findings with City staff.

### BENEFIT



The rate design analyses provide the City with opportunities to strike a balance between mitigating the financial risk of each utility and providing appropriate incentives to customers.

## 5. SYSTEM DEVELOPMENT CHARGE ANALYSES

### TASK

5

Task 5 is the analysis of SDCs for the water and wastewater utilities. This task includes the following elements for each utility:

- Following Oregon statute, City code, and industry guidelines related to SDCs.
- Reviewing applicable master plans and capital improvement plans.
- Quantifying the current customer base and projecting customer growth.

- Defining the reimbursement fee and improvement fee cost bases eligible for recovery through SDCs.
- Calculating the maximum defensible charge per unit of demand and developing an updated schedule of charges.
- Facilitating a video conference to discuss draft findings with City staff.

### BENEFIT



The SDC methodology will support a legally defensible and financially stable program and will allow the City to better recover the costs of growth from growth.

## 6. COMMUNICATION

### TASK

6

Task 6 is the documentation and presentation of the findings and recommendations of the study. This task includes the following elements:

- A draft report that documents all findings and recommendations of the study for both rates and SDCs
- A work session with the City Council to present a summary of the draft report
- A second presentation to the City Council (potentially at a public hearing) to facilitate adoption of rates and SDCs.
- A final report that reflects all feedback received from City staff and the City Council



The documentation will continue to provide clear options, analysis, and direction long after the consulting engagement is over. In addition, our spreadsheet models will allow the City to update inputs and track progress.

Presenting study findings and recommendations in person allows the City Council to ask questions and gain a deeper understanding of the material addressed in the documentation.



# BUDGET

We propose to complete all the proposed tasks for a cost not to exceed \$78,370, as shown in the detailed budget below. Our normal billing practice is to bill based on time and materials actually expended, not to exceed the total budget. We would be more than happy to negotiate the appropriate level of effort for this project, if we have scaled our approach out of line with the City's needs and/or expectations.

Task Detail	Mtgs	Ghiarducci Principal	Gabbard PM	Zimbelman Sr Analyst	Admin Support	Total Hours	Expense Budget	Budget Estimate
<b>Task 1 Kickoff</b>								
1.1 Project setup and monthly billing					5	5		\$425
1.2 Data request			4			4		\$700
1.3 Kickoff meeting	1	8	8	8		24	\$600	\$4,800
1.4 Data review and follow-up			2	8		10		\$1,470
<b>Task 1 Subtotal</b>	1	8	14	16	5	43	\$600	\$7,195
<b>Task 2: Revenue Requirement Analyses</b>								
2.1 Water revenue requirement		2	8	40		50		\$7,520
2.2 Wastewater revenue requirement		2	8	40		50		\$7,520
2.3 Video conference with staff to review analysis		2	2	2		6		\$1,150
<b>Task 2 Subtotal</b>	0	6	18	82	0	106	\$0	\$16,190
<b>Task 3: Cost of Service Analyses (COSAs)</b>								
3.1 Customer data compilation			4	40		44		\$5,300
3.2 Water COSA		2		24		26		\$3,880
3.3 Wastewater COSA		2	8	24		34		\$5,280
3.4 Video conference with staff to review analysis		2	2	2		6		\$1,150
<b>Task 3 Subtotal</b>	0	6	14	90	0	110	\$0	\$16,610
<b>Task 4: Rate Design Analyses</b>								
4.1 Water rate design		1	4	16		21		\$3,200
4.2 Wastewater rate design		1	4	16		21		\$3,200
4.3 Video conference with staff to review analysis		2	2	2		6		\$1,150
<b>Task 4 Subtotal</b>	0	4	10	34	0	48	\$0	\$7,550
<b>Task 5: System Development Charge (SDC) Analyses</b>								
5.1 Water SDC		2	8	32		42		\$6,400
5.2 Wastewater SDC		2	8	32		42		\$6,400
5.3 Video conference with staff to review analysis		2	2	2		6		\$1,150
<b>Task 5 Subtotal</b>	0	6	18	66	0	90	\$0	\$13,950
<b>Task 6: Communication</b>								
6.1 Draft report		1	4	32		37		\$5,440
6.2 Work session with City Council	1	8	8	4		20	\$600	\$4,040
6.3 Public hearing with City Council	1	8	8	4		20	\$600	\$4,040
6.4 Final report		1	1	8		10		\$1,555
<b>Task 6 Subtotal</b>	2	18	21	48	0	87	\$1,200	\$15,075
<b>Labor Total</b>								\$76,570
<b>Expenses</b>								\$1,800
<b>Budget Estimate</b>								\$78,370
<b>Cost Summary</b>								
Total Hours		48	96	336	5	397		
Billing Rate		\$280	\$175	\$140	\$85			