



Staff Report

TO: City Council
FROM: Jennifer Ustation, Finance Director
Thaxton Van Belle, General Manager of Utilities
DATE May 30, 2023
SUBJECT: Continued Discussion of Sewer Rate Study

Description Continue the discussion on the Sewer Rate Study and provide direction on scenarios.

Background and Analysis:

On December 6, 2022, City Council approved a contract with Raftelis Financial Consultants, Inc. dba Raftelis, to complete a sewer rate study that will independently evaluate and make recommendations related to the City's existing wastewater rates and fee schedule. The final goals of the project include the development of the following:

- Fair and reasonable wastewater rates and fees for a five-year (5) period.
- Ten-Year (10) Financial Plan to provide necessary revenue for the City's CIP needs.
- Updating financing and rate schedule models.

Raftelis completed the financial planning, cost-of-service analysis, and preliminary proposed FY2024 rates and presented them to the City Council on April 10, 2023. The City Council provided direction to bring back information on the following:

- Provide scenarios that include the General Fund charging the full amount of administrative overhead as identified in the Cost Allocation Plan approved in June 2022.
- List of capital improvement projects used within the study.
- Any debt scenarios to list the potential projects the debt would fund.
- Determine what was driving the potential rate increases being proposed, i.e., growth vs operations.

Raftelis has completed two financial plans. Scenario 1 ramps up the administrative overhead charge with the full amount charge by FY2028. Scenario 2 has the full

administrative overhead charged in FY2025. Neither scenario requires the use of debt to fund projects as was originally proposed due to the reduction of a duplicated project in the capital improvement plan schedule.

Both models provide different rate increases determined by the revenue requirements to meet both operational and capital costs.

Fiscal Impact:

The estimated cost to prepare this report is \$106.

Recommended Action:

Review scenarios presented by Raftelis and provide direction to City staff.

Attachments:

- A. Raftelis Presentation
- B. Capital Improvement Schedule