City of Calistoga Staff Report

TO: Honorable Mayor and City Council

FROM: Dylan Feik, City Manager

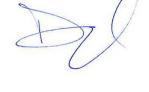
DATE: November 15, 2016

SUBJECT: Consideration of a Professional Services Contract for a Water &

Wastewater Rate Study, in an amount not to exceed \$49,290 from the unappropriated water and wastewater fund balances, establishment of City Council Rate Review Ad Hoc Committee and Appointment of two (2) City Council members to serve on the

committee.

APPROVAL FOR FORWARDING:



Dylan Feik, City Manager

<u>ISSUE</u>: Consideration of Professional Services Contract for a Water & Wastewater Rate Study, in an amount not to exceed \$49,290 from the unappropriated water and wastewater fund balances, establishment of City Council Rate Review Ad Hoc Committee and Appointment of two (2) City Council members to serve on the committee.

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RECOMMENDATION: The Council has several options, including:

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 Approve a professional services contract in an amount not to exceed \$49,290 for a water and wastewater rate study, establish a City Council Utility Rate ad hoc Committee, and appoint two (2) Council members;

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The City Council could choose not to hire BWA to perform the scope of work, nor use an ad hoc committee to provide guidance to the staff and consultant working on this project; 3. Direct staff accordingly.

BACKGROUND: The City of Calistoga last updated utility rates for water and wastewater in 2013 which became effective January 1, 2014, and continue through December 31, 2017. The City would like to retain Bartle Wells Associates (BWA) to complete a utility rate review. BWA will approach this project with a comprehensive review of the City's water, wastewater and reclaimed water operations and to develop recommendations for the water, wastewater, and recycled rates to fund each utility's cost of service. BWA uses a collaborative project approach to ensure final recommendations reflect the policy preferences and objectives of the City Council.

Staff will use a project approach for the consultant team to work closely with City staff, the City Council and/or subcommittees, and other stakeholders; identify objectives; set milestones; have frequent communication; and remain flexible to resolve unanticipated issues.

BWA's methodology for each project is based on an inclusive review of each agency's unique financial situation. We do not have a "one-size-fits-all" rate model. They tailor each study to fit the distinct requisites of each agency to ensure that all recommendations reflect local needs and objectives. Key issues of this study include:

Tiered Water Rates: BWA will evaluate water rate alternatives that a) ensure revenue sufficiency, b) minimize the impact on customers, c) allocate costs equitably among all customer classes, d) promote conservation, and e) comply with the legal requirements of Proposition 218 and recent Court decisions.

Revenue and Expense Projections: BWA will review the revenue and expense projections from the last study and compare to the most recent data to determine each utility's current financial standing. Our evaluation will include a comparison of revenues, cost escalator factors, wholesale water purchases, debt estimates, and water consumption.

Effective Community Outreach: Water and wastewater rate increases can be controversial and an effective public outreach plan can help ensure a smooth implementation. BWA will develop an outreach plan based on the City's unique customer base.

Review of Water & Wastewater Connection Fees: At the request of the city manager, BWA included the cost to perform a review for water and wastewater connection fees and will be included in the rate study.

Upon completion of work, BWA will present its findings in the form of a proposed Five Year Utility Rate Plan to be included as part of the adopted budget and work plan for future fiscal years. Once a contract is approved, BWA and staff will begin

Utility Rate Study & ad hoc Utility Rate Committee November 15, 2016 Page 3 of 3

opreliminary staff work and data collection necessary for the project. The project completion deadline is May 2017.

At this time staff is also requesting establishment of a Utility Rate Review Ad Hoc Committee and the appointment of two (2) members to serve on the committee.

<u>DISCUSSION</u>: The City operates a water and wastewater utility enterprise fund operation which is funded through rate payer user fees, connection fees and other types of revenues. Appropriate rate structure is vital to ensure those operations are able to comply with evolving state and federal regulations, increasing system replacement costs and to ensure these core utilities meet the communities service needs for the long term.

 FISCAL IMPACT: The proposal by BWA to conduct the rate study is not to exceed \$49,290. A budget adjustment is recommended in amount not to exceed \$49,290 from the unappropriated Water and Wastewater fund balances under Account 02-4132-4402 (\$24,645) and Account 03-4142-4402 (\$24,645). The results of this rate study will guide decision-makers to determine appropriate utility rates for Council consideration.

ATTACHMENTS:

- Draft Resolution
- 2. Calistoga Water & Wastewater Rate Study Proposal BWA

1 2 3 **RESOLUTION 2016-XXX** 4 5 RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALISTOGA. 6 COUNTY OF NAPA, STATE OF CALIFORNIA, AWARDING A 7 8 PROFESSIONAL SERVICES AGREEMENT IN AN AMOUNT NOT TO **EXCEED \$49,290 FROM THE UNAPPROPRIATED WATER AND** 9 WASTEWATER FUND BALANCES, TO BARTLE WELLS ASSOCIATES FOR 10 A UTILITY RATE STUDY RELATED TO THE WATER & WASTEWATER 11 **ENTERPRISE SYSTEMS** 12 13 WHEREAS, The City Council has determined there is a need for a 14 15 water/wastewater rate study to determine what direction the City should move to 16 stabilize the Water and Wastewater Enterprise Funds; and 17 18 WHEREAS, the City Manager has sought proposals for said study; and 19 WHEREAS, the City Manager acts as the City's Purchasing Officer in all 20 21 such matters; and 22 WHEREAS, the City Council desires to appoint two (2) Council members 23 24 to serve on the ad hoc Utility Rate Review Committee, 25 **NOW THEREFORE BE IT RESOLVED** that the City Manager is hereby 26 27 authorized to enter into a professional services agreement with Bartle Wells Associates in an amount not to exceed \$49,290 for a utility rate study related to 28 29 the water and wastewater enterprise systems. A budget adjustment is 30 recommended in amount not to exceed \$49,290 from the unappropriated Water and Wastewater fund balances under Account 02-4132-4402 (\$24,645) and 31 32 Account 03-4142-4402 (\$24,645). 33 PASSED AND ADOPTED as a resolution of the City of Calistoga at the 34 regular meeting held on this 15th day of November 2016, by the following vote: 35 36 AYES: 37 NOES: 38 **ABSENT:** 39 **ABSTAIN:** 40 41 42 43 44 CHRIS CANNING, Mayor ATTEST: 45 46 47 Kathy Flamson, City Clerk 48