

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

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

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7 **RECOMMENDATION:** The Council has several options, including:
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- 9 1. Approve a professional services contract in an amount not to exceed
10 \$49,290 for a water and wastewater rate study, establish a City Council
11 Utility Rate ad hoc Committee, and appoint two (2) Council members;
12 2. The City Council could choose not to hire BWA to perform the scope of
13 work, nor use an ad hoc committee to provide guidance to the staff and
14 consultant working on this project;

15 3. Direct staff accordingly.

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

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

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

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

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

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

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

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

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

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

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

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73 **FISCAL IMPACT:** The proposal by BWA to conduct the rate study is not to
74 exceed \$49,290. A budget adjustment is recommended in amount not to exceed
75 \$49,290 from the unappropriated Water and Wastewater fund balances under
76 Account 02-4132-4402 (\$24,645) and Account 03-4142-4402 (\$24,645). The
77 results of this rate study will guide decision-makers to determine appropriate
78 utility rates for Council consideration.

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80 **ATTACHMENTS:**

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1. Draft Resolution

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2. Calistoga Water & Wastewater Rate Study Proposal – BWA

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RESOLUTION 2016-XXX

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALISTOGA, COUNTY OF NAPA, STATE OF CALIFORNIA, AWARDDING A PROFESSIONAL SERVICES AGREEMENT IN AN AMOUNT NOT TO EXCEED \$49,290 FROM THE UNAPPROPRIATED WATER AND WASTEWATER FUND BALANCES, TO BARTLE WELLS ASSOCIATES FOR A UTILITY RATE STUDY RELATED TO THE WATER & WASTEWATER ENTERPRISE SYSTEMS

WHEREAS, The City Council has determined there is a need for a water/wastewater rate study to determine what direction the City should move to stabilize the Water and Wastewater Enterprise Funds; and

WHEREAS, the City Manager has sought proposals for said study; and

WHEREAS, the City Manager acts as the City's Purchasing Officer in all such matters; and

WHEREAS, the City Council desires to appoint two (2) Council members to serve on the ad hoc Utility Rate Review Committee,

NOW THEREFORE BE IT RESOLVED that the City Manager is hereby 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 the water and wastewater enterprise systems. 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).

PASSED AND ADOPTED as a resolution of the City of Calistoga at the regular meeting held on this 15th day of November 2016, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

CHRIS CANNING, Mayor

ATTEST:

Kathy Flamson, City Clerk