

Task 1: Project Initiation and Management

Purpose: Confirm Project Expectations, Work Plan and Schedule, and Meet Project Schedule and Budget

Task Activities:

- a. Facilitate a project initiation meeting to help ensure that the project progresses as smoothly and successfully as possible.
- b. Monitor progress made towards meeting project milestones and compare with the established project schedule and budget.
- c. Facilitate project status teleconferences with the Division, approximately every two weeks to communicate project progress, to identify any issues or challenges, discuss potential proposed solutions.
- d. Review project task budgets, staffing needs, and project deliverables to ensure budgets and schedule are on track. Provide updates to the project schedule throughout the project, as needed.
- e. Prepare written project progress reports and submit to the Division monthly with budget, schedule, and deliverable status information.

Planned Meetings: One on-site kickoff meeting, project status teleconferences

Deliverables: Request for information, written kickoff meeting summary

Task 2 – Customer Assistance Program Review and Evaluation

Purpose: Assisting the Division in the evaluation and implementation of customer assistance programs to help address customer affordability issues, including but not limited to plumbing assistance programs, water line and sewer lateral replacement loans and payment plan programs, and discounts for low income customers.

Task Activities:

- a. Determine scope of affordability issue within the City by performing location-based analyses of billing data and corresponding census income and demographic data.
- b. Work with Division and City to identify and review viable options for customer assistance programs which will provide the maximum amount of assistance to the Division's customers. The results of Task 2.a will help inform this decision.
- c. Determine eligibility criteria and processes. Estimate costs, both financially and administratively, in order to implement program.
- d. Document all tasks in a summary memo.

Planned Meetings: Teleconference to discuss initial results of review and evaluation. Presentation at a City meeting.

Deliverables: Summary of customer assistance program review and evaluation.

Task 3 – Financial Plan Update

Purpose: Develop and implement a fiscally sound and feasible financial plan for the water, wastewater, and stormwater Enterprise Funds

Task Activities:

- a. Prepare a forecast of customer growth and demand within the Division's service area and forecast revenues under existing rates.
- b. Examine the usage patterns of the Division's various classes of customers and incorporate various considerations into the forecast of revenues and rate structure alternatives.
- c. Develop forecasts of revenue requirements, such as annual costs related to personnel, power, materials & supplies, and other operation and maintenance ("O&M") expenses, and capital expenditures and plant investment over the planning period.
- d. Develop appropriate escalation and inflation factors that consider historical trends in O&M costs, along with published forecasts from state and national resources.
- e. Review the magnitude, timing, and nature of the Division's CIP and provide scenarios for financing the capital program.
- f. Develop a preliminary financial plan and cash flow analyses to estimate the revenue adjustments needed to meet projected revenue requirements over the planning period.
- g. Forecast key financial and affordability metrics, such as cash reserve levels, debt service coverage, required rate increases, customer rates, and annual residential bill as a percentage of median and lower quartile household income.
- h. Recommend fiscal goals, metrics, and policies for the Division's consideration. Monitor long-term compliance with bond resolution requirements and fiscal targets.
- i. Identify and assess opportunities, risks, and threats for capital project investments; recommend operating scenarios to mitigate risks and enhance utility performance.
- j. Facilitate a financial planning meeting with the Division and City to provide the opportunity for Division staff to review and discuss the draft financial plan and help validate the key inputs and assumptions, discuss fiscal policies and recommendations, review several capital financing scenarios, and associated utility rate impacts.
- k. Update and finalize financial plan as required based on the final adopted rates and policies.

Planned Meetings: Financial Planning Meeting

Deliverables: List of key inputs/assumptions. Meeting summary.

Task 4 – Operational and Cost Efficiency Evaluation

Purpose: Benchmark the Division's operational metrics to identify potential areas where greater cost efficiencies may be realized.

Task Activities:

- a. Work with Division leadership and subject matter experts within the organization to identify and select appropriate performance measures and current performance levels in the Division's key functional areas.
- b. Benchmark each performance measure against both industry data and peer utility comparisons (likely inclusive of the peer group considered in the recently completed Staffing Assessment), to determine potential performance gaps.
- c. Based on the results of the gap assessment, Raftelis will develop a series of recommendations to enhance Water Resources' operational efficiency and effectiveness. These recommendations will be prioritized, taking into consideration the level of implementation effort, technical challenges, risk, and financial constraints. Through this process, Raftelis will highlight "quick win" opportunities – projects with measurable impact but low effort to implement. These could be simple things, such as streamlining the work order distribution process or suggesting different administrative practices. Practical, implementable recommendations will be developed based on priority, cost-benefit, and ease of implementation.
- d. To extent this evaluation translates into predictable cost-savings, incorporate into financial model.

Planned Meetings: On-site interviews with Division and its subject matter experts

Deliverables: Summary of benchmarking analysis, and recommendations for operational efficiency.

Task 5 – Cost of Service Evaluation and Alternative Revenue Source Development

Purpose: Analyze and understand the cost of service of the Water Resources utilities to help develop cost justified utility rates and fees. This includes updating existing fees and creation of additional cost justified fees.

Task Activities:

- a. Complete a multi-step cost allocation methodology based on AWWA and WEF industry guidelines and standards to evaluate the cost of serving various types of customers.
- b. Calculate cost justified rates and miscellaneous fees for service, including fees for wholesale water, public and private fire protection, sludge processing, industrial surcharges, backflow/cross-connection fees, project review/connection fees, and other miscellaneous fees.
- c. Document and provide the Division with the cost of service and fee calculations. Recommend and prioritize implementation of alternative revenue (fee) sources.
- d. Prepare a forecast of customer growth and demand within the Division's service area, and forecast revenues under existing rates.
- e. Examine the usage patterns of the Division's various classes of customers and incorporate various revenue source, both existing and new, considerations into the forecast of revenues and rate structure alternatives.

- f. Facilitate a meeting, held via teleconference, with the Division to review the cost of service allocations and associated fee calculations.

Planned Meetings: Teleconference to discuss the cost of service results

Deliverables: Summary of cost of service allocations and results in tabular format.

Task 6 – Rate Structure Evaluation

Purpose: Analyze alternative rate structures for water and wastewater to help relieve the cost burden on income-constrained, small volume users.

Task Activities:

- a. Facilitate an in-person rate alternatives workshop with internal City stakeholders to review and discuss the existing rate structure, identify and confirm the Division's pricing objectives, discuss the advantages and disadvantages of existing and alternative rate structures, and identify a shortlist of rate alternatives to evaluate further.
- b. Develop meeting materials and facilitate an in-person public stakeholder meeting, in order to allow Raftelis and the City understand the concerns of the City's customer base, prior to making any rate structural or rate policy decisions. This meeting will also give the Division an opportunity to educate the public about the value of water services and the cost pressures the Division is and will continue to face. Water Resources staff will be responsible for conducting stakeholder engagement at the Neighborhood Planning Assemblies (NPAs) following the special stakeholder meeting and via other modes as determined appropriate (social media, surveys etc.)
- c. Analyze approximately three alternative rate structures to generate sufficient revenues, and improve customer affordability and revenue stability. Analysis will consist of calculating the rates needed to generate sufficient revenues, identification of rate components applicable to each customer class, and an assessment of the impact of the rate changes on each class of customer, as well as individual customers.
- d. Prepare a benchmarking comparison of rates and rate structures for comparison purposes. Identify a list of approximate eight similar water and sewer utilities in the region, and compare the water and sewer rates rate structures, operations, and financials to those of the Division.
- e. Facilitate a meeting with the Division held via teleconference to present the results of the detailed rate and fee analyses and discuss our recommendations for the Division's consideration. The meeting will be used to describe the rate calculations, examine the prepared rate schedules and customer bill impacts, and receive feedback from the Division before finalizing the rate recommendations.

Planned Meetings: Facilitate Pricing Objectives and Rate Alternatives Meetings, Facilitate public stakeholder outreach meeting

Deliverables: Summary of rate comparisons and preliminary rate recommendations.

Task 7 – Reporting, Presentation, Model, and Customer Outreach Deliverables

Purpose: Document and present the results and recommendations of the rate study.

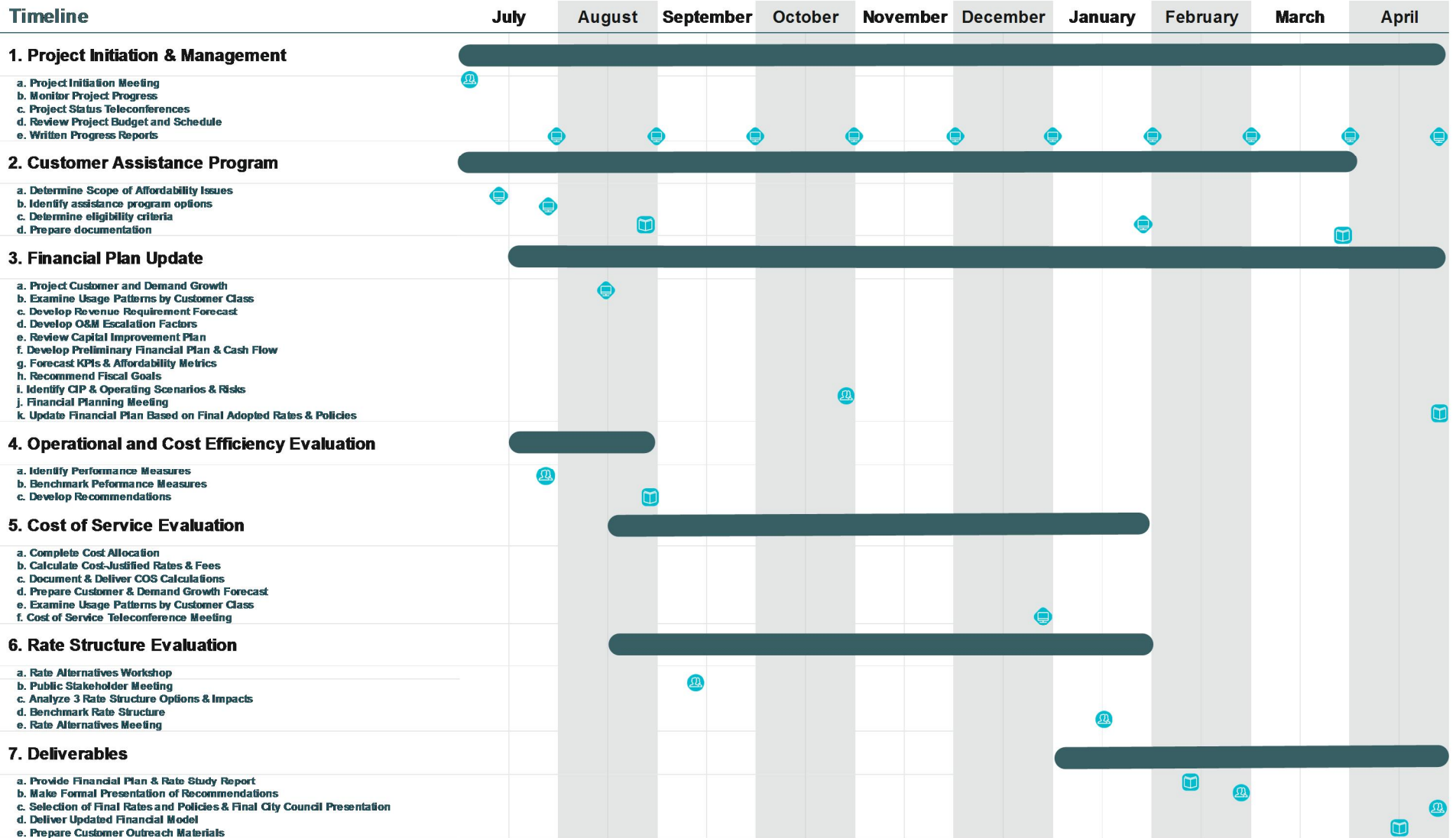
Task Activities:

- a. Provide the Division with a comprehensive rate study report that highlights the financial plans, cost of service evaluations, and prioritized rate structure recommendations. The report will be prepared in a concise “public-friendly” format that outlines the analysis, key assumptions, findings, conclusions, and study recommendations.
- b. Make a formal presentation of the rate study recommendations to the City at public meeting.
- c. Based on the results of public engagement, assist City in selecting final set of recommendations and make revisions to affected deliverables as necessary. Present final recommendations to City Council.
- d. Deliver an updated integrated financial model to the Division for your future use.
- e. Prepare a one- to two-page outreach document communicating any rate and rate policy changes to the Division’s customers. The Division will be able to utilize this document as a bill insert, as well as through on-line communication such as social media. Raftelis will work with the Division to strategize on the best method for distributing the outreach information to its customers.

Planned Meetings: Presentation of the study results at a Public City meeting. Presentation of final recommendations at Public City meeting.

Deliverables: Draft and final rate study reports, fully functioning rate model(s), and customer outreach document.

Timeline



In-Person Meetings / Workshops



Web Meetings



Deliverables