

City of Cottage Grove: Water, Storm, and Sewer Rate Study



**Presented to the Cottage Grove
City Council**

Monday, February 22, 2021

Prepared by FCS GROUP





Agenda

- **Utility Rate Basics**
- **Analysis Review**
 - » Water Utility
 - » Stormwater Utility
 - » Sewer Utility



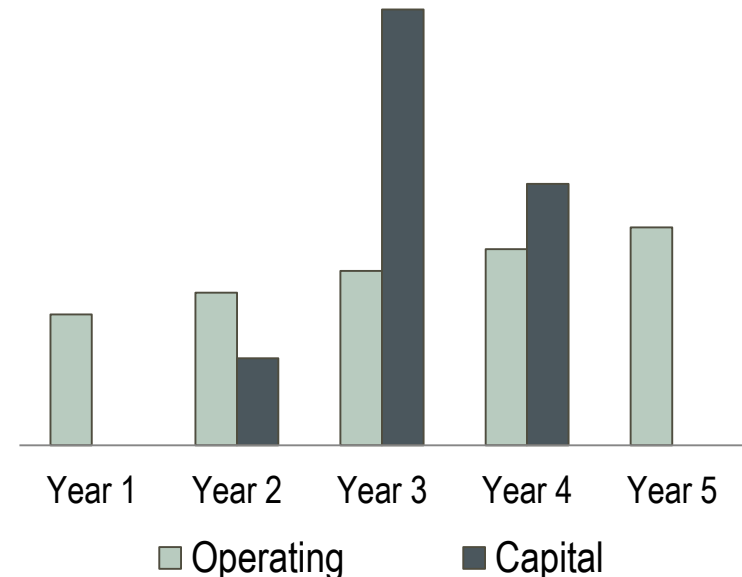
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Introduction to Utility Ratemaking

- **Utility rates are set to recover the cost of providing service.**
- **Utilities incur two primary types of costs:**
 - » Operating costs (regular / ongoing)
 - Employee salaries and benefits
 - Power and chemicals
 - Asset repair and maintenance
 - » Capital costs (irregular / periodic)
 - Infrastructure replacement
 - Facility expansions and upgrades



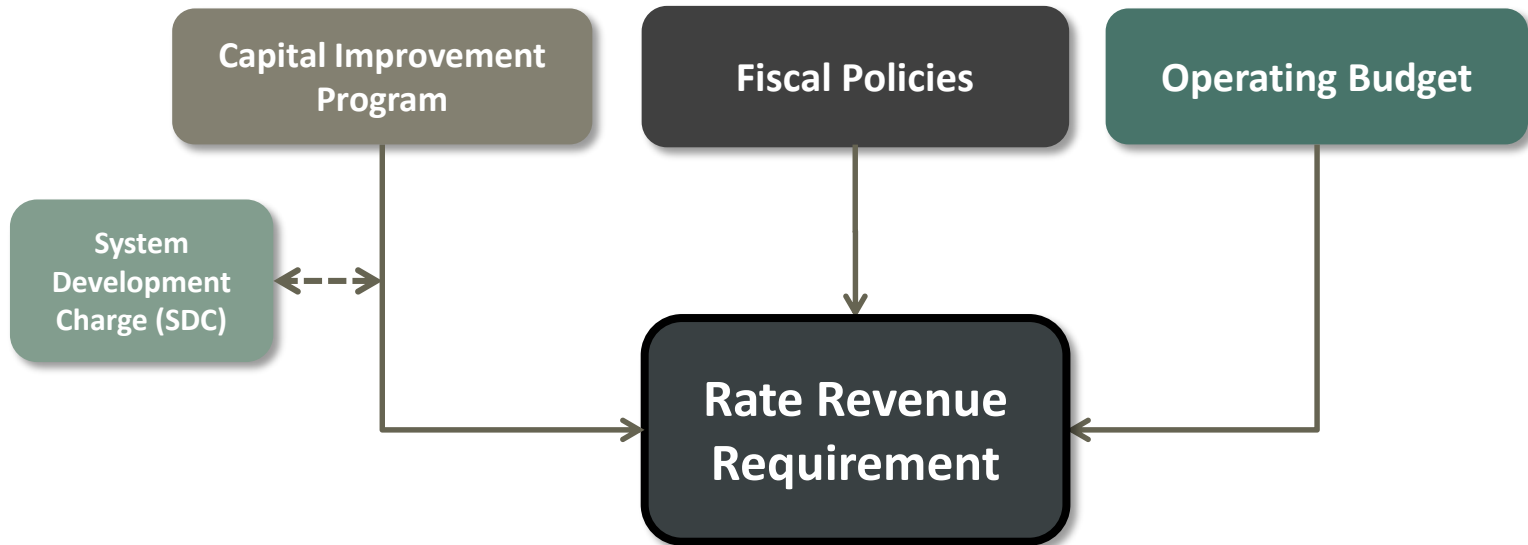


What Should Rates Do?

- **Generate sufficient revenues to sustain the utility system**
- **Charge for cost of services provided**
- **Recover costs equitably**
- **Achieve City objectives**
 - » Conservation
 - » Revenue stability
 - » Maintain minimum fund balances and meet other fiscal policies



Outline of a Revenue Requirement Study





Agenda

- Utility Rate Basics
- **Analysis Review**
 - » Water Utility
 - » Stormwater Utility
 - » Sewer Utility



Key Assumptions: Water

Annual Cost Inflation

- Salaries: 1.65%
- Benefits: 3.07%
- Other Operating Costs: 1.77%
- Construction Costs: 2.79%

Annual Growth Rates

- Customer Growth Rate: 0.90%

Operating Forecast

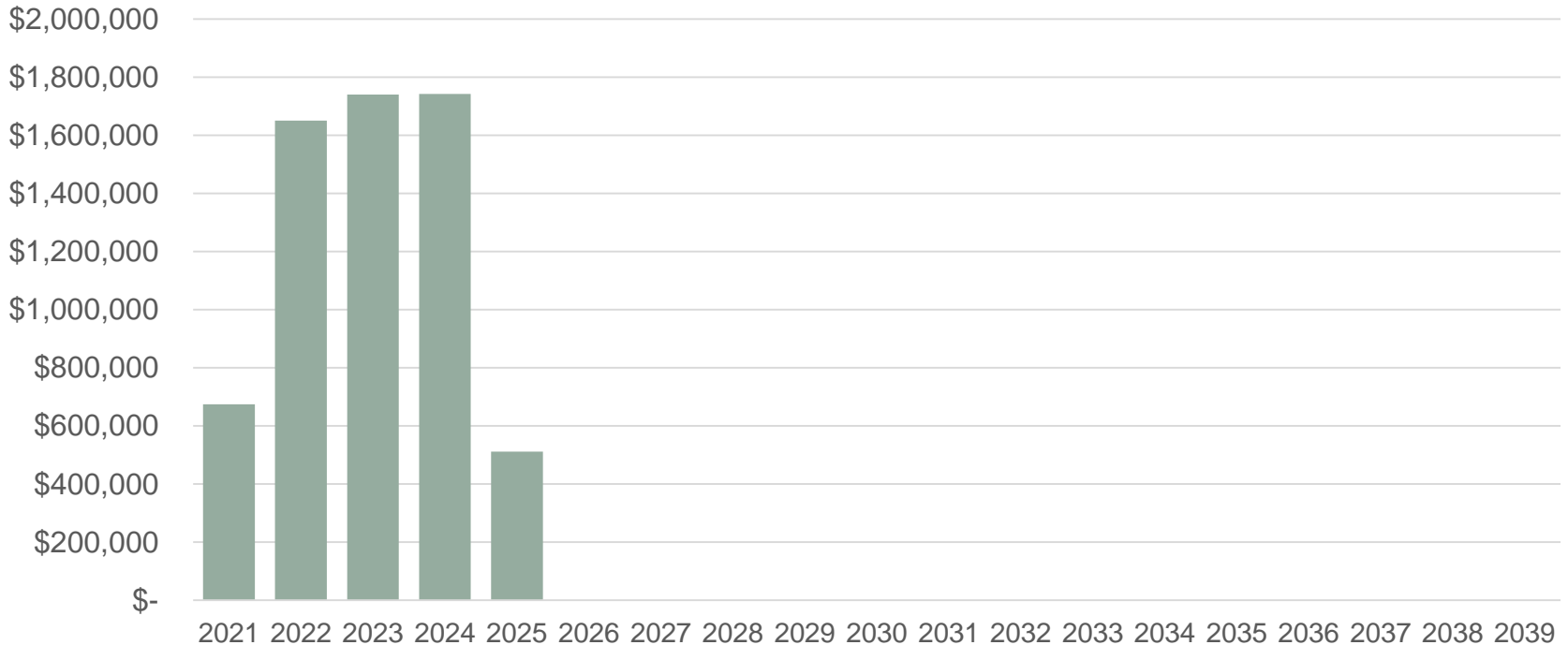
- Rate revenue based on the FY 2021 Budget, escalated by the anticipated customer growth
- Operating costs and non-rate revenues based on FY 2021 Budget
 - Adjusted for inflation in future years

Financial Policies

- Min. Fund Balance Target: 90 days of O&M
- Capital Contingency Reserve: \$275k



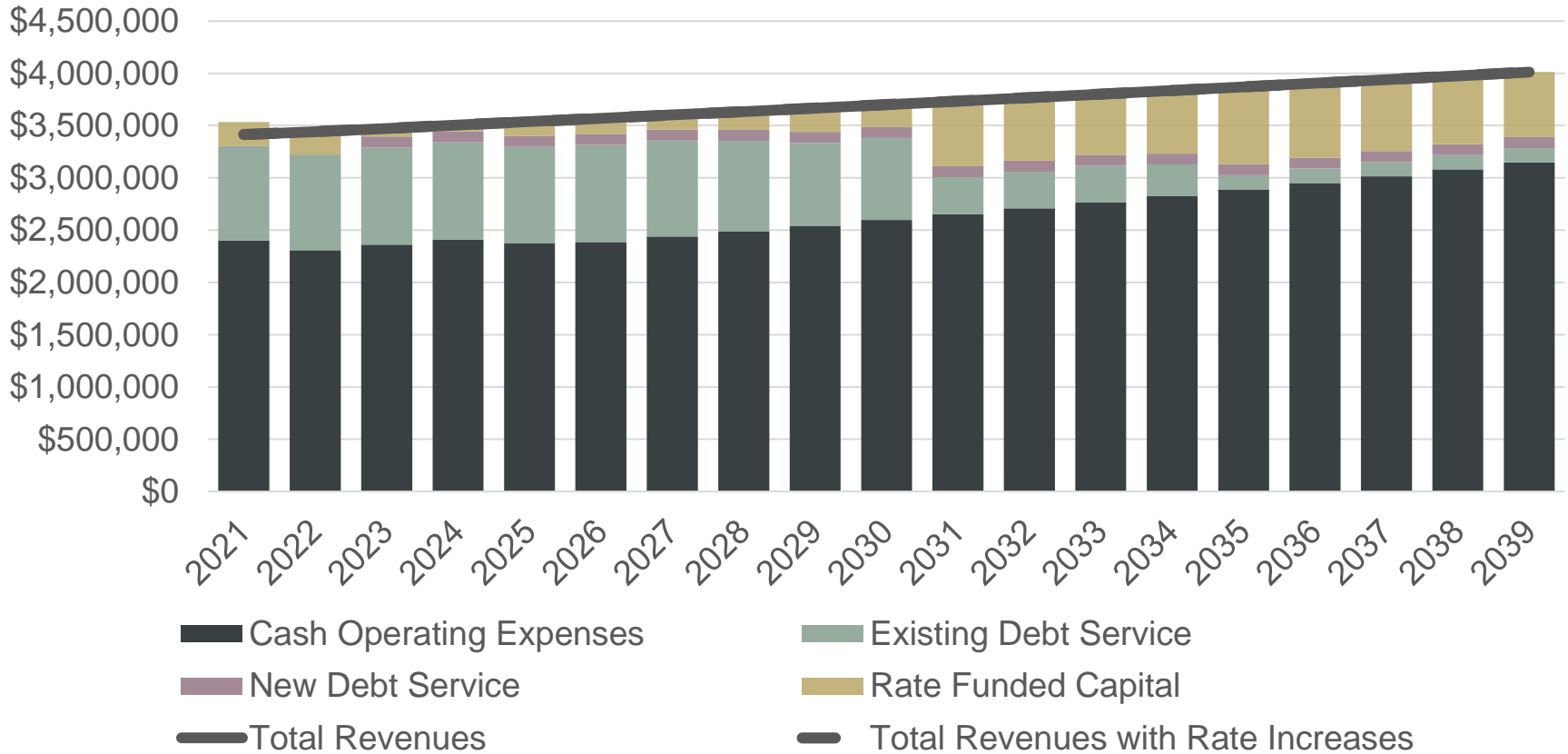
Capital Needs Forecast: Water



- **A total of \$6.3 million in projects in the next five years**
- **A revenue bond of \$1.3 million in FY 2023 is required to help fund the capital plan**



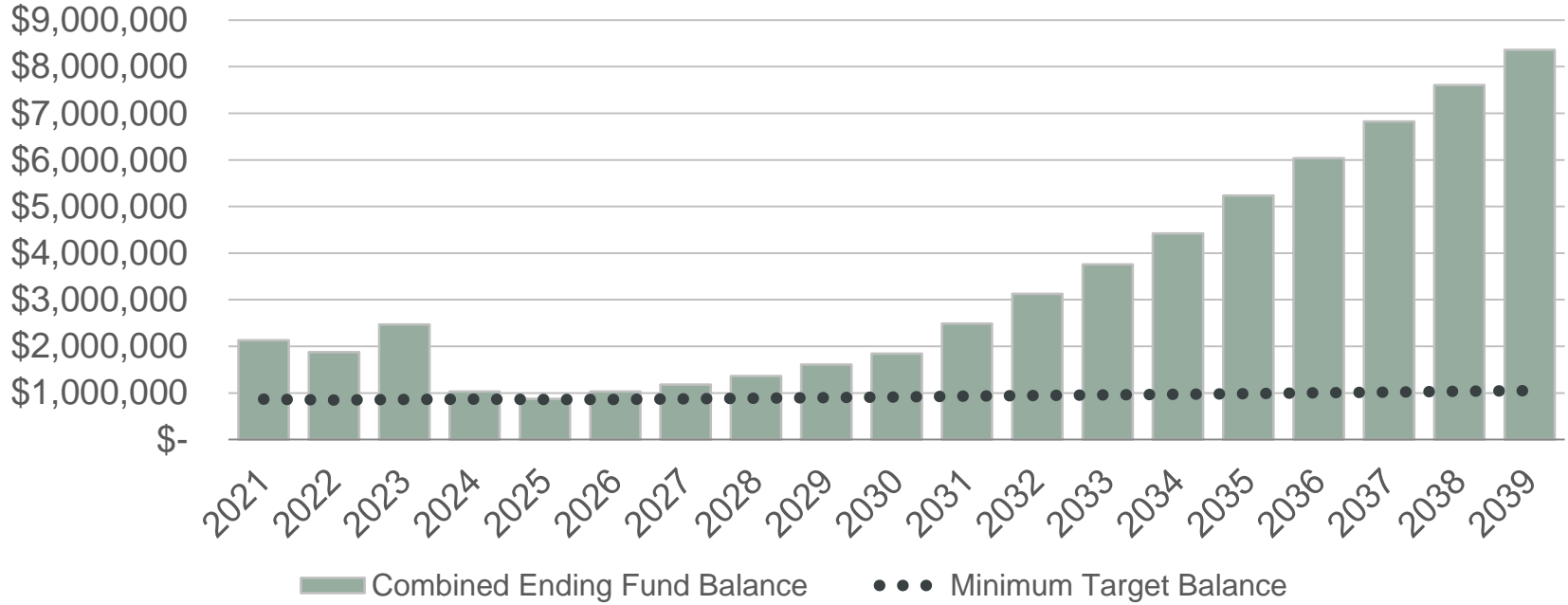
Revenue Requirement Forecast: Water



- **Customer growth is sufficient to provide for rising operating expenses**
- **The new revenue bond increases debt service**



Fund Balances: Water





Water Rates

Example Water Charge (Single Family Residence)

Fixed Charge	\$ 17.98
System Improvement Surcharge	25.70
Volume Charge (8,000 gallons)	12.02
Total	\$ 55.70



Water Rates Comparison

City	Water Rates (8,000 gallons)
Coburg	\$66.14
Creswell	\$64.91
Cottage Grove	\$55.70
Veneta	\$48.95
Junction City	\$40.68
Harrisburg	\$39.92
Corvallis	\$38.22
Eugene	\$31.70



Agenda

- Utility Rate Basics
- **Analysis Review**
 - » Water Utility
 - » **Stormwater Utility**
 - » Sewer Utility



Key Assumptions: Stormwater

Annual Cost Inflation

- Salaries: 1.65%
- Benefits: 3.07%
- Other Operating Costs: 1.77%
- Construction Costs: 2.79%

Annual Growth Rates

- Customer Growth Rate: 0.90%

Operating Forecast

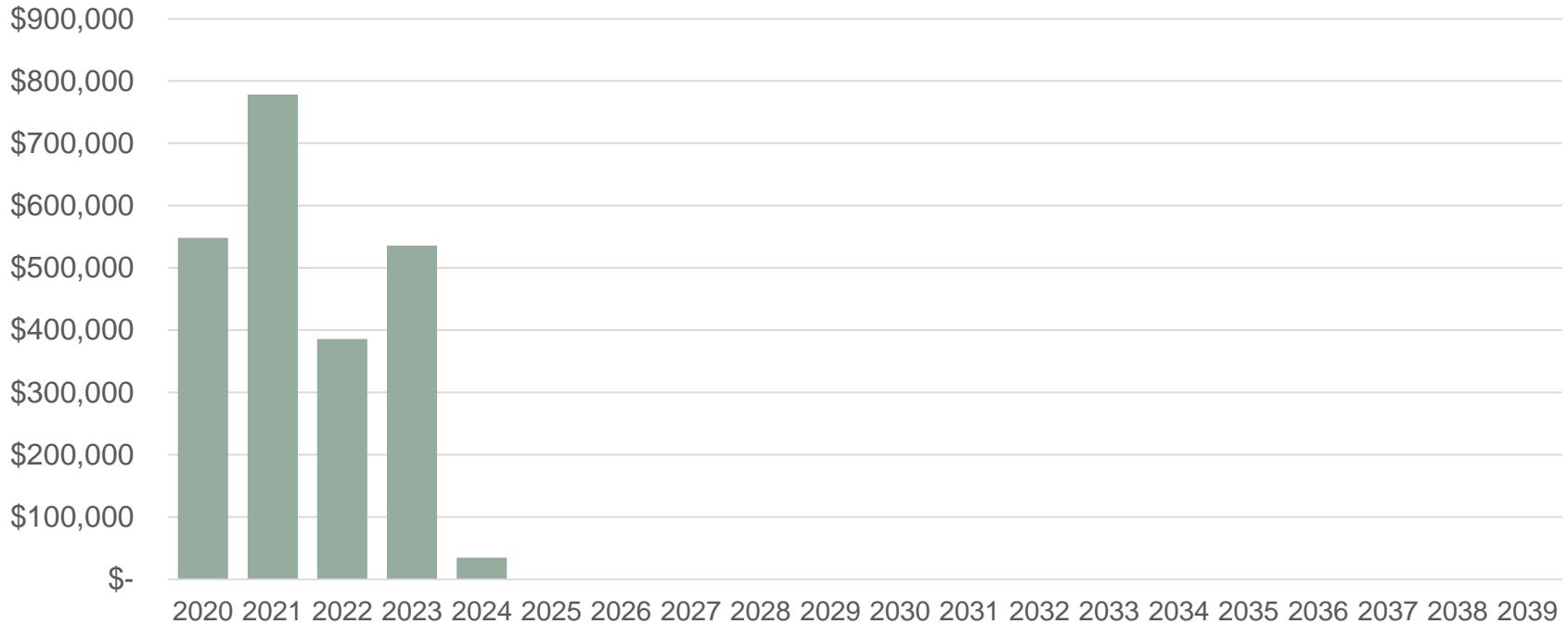
- Rate revenue based on the FY 2021 Budget, escalated by the anticipated customer growth
- Operating costs and non-rate revenues based on FY 2021 Budget
 - Adjusted for inflation in future years

Financial Policies

- Min. Fund Balance Target: 46 days of O&M
- Capital Contingency Reserve: \$270k



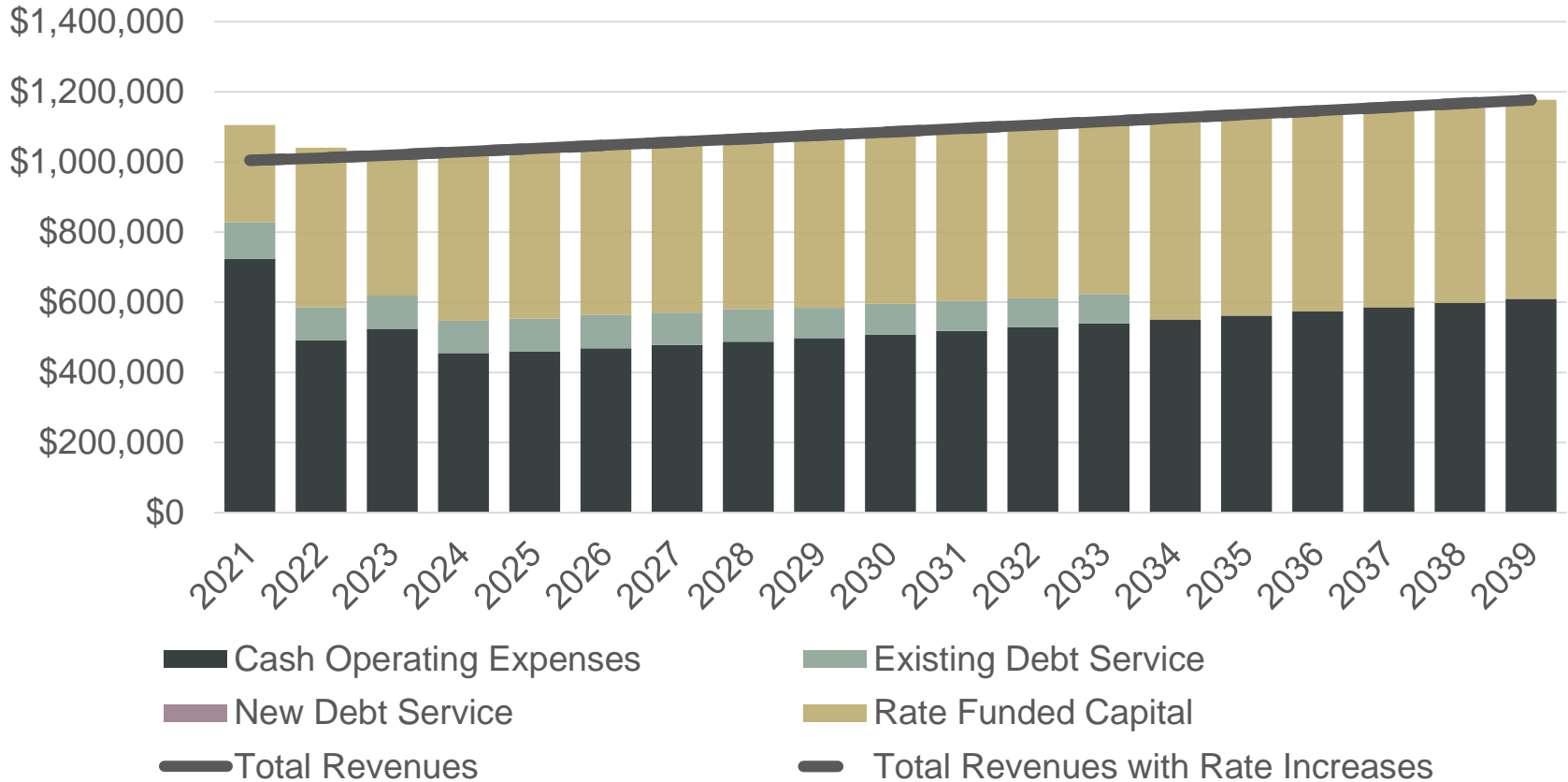
Capital Needs Forecast: Stormwater



- **A total of \$1.7 million in projects in the next five years**



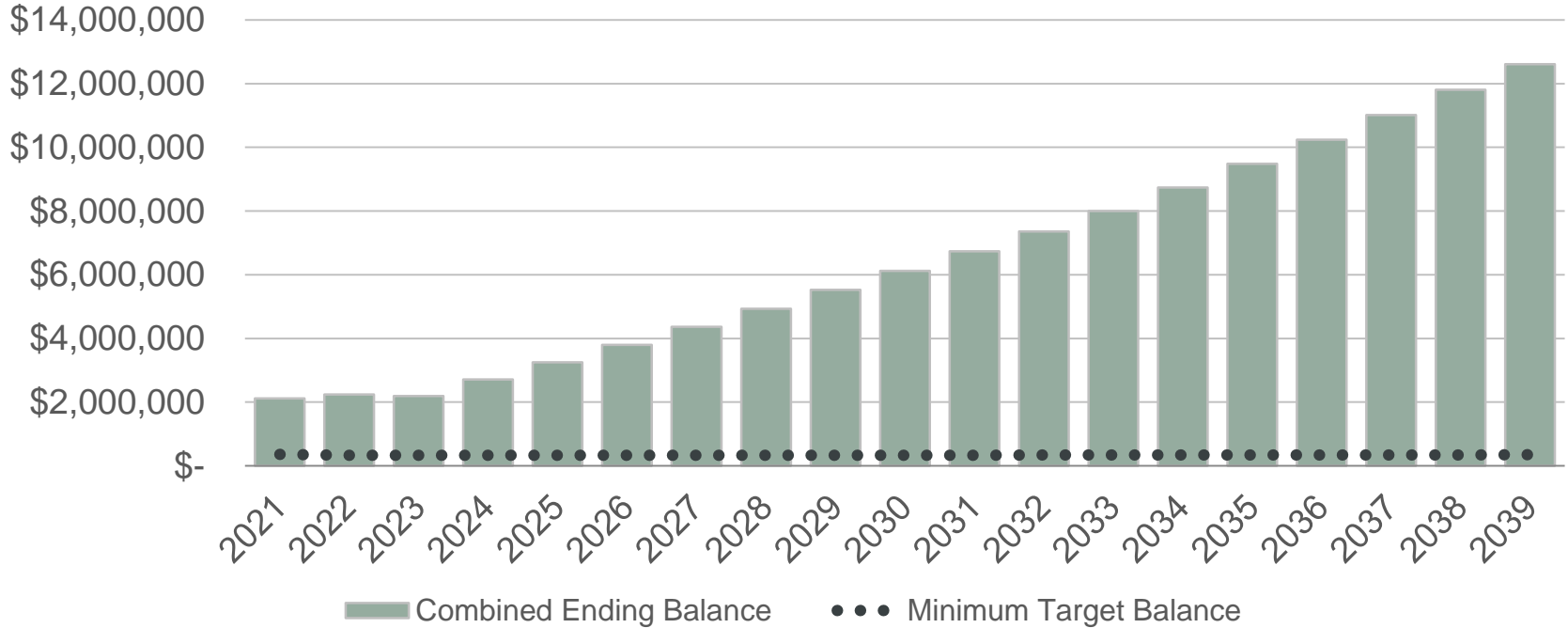
Revenue Requirement Forecast: Stormwater



- **Customer growth is sufficient to provide for rising operating expenses**
- **Capital expenses are largely paid by rates and existing fund balance**



Fund Balances: Stormwater





Stormwater Rates

Example Stormwater Charge (Single Family Residence)

System User Monthly Fee	\$ 4.94
System Improvement Surcharge	7.53
Total	\$ 12.47



Stormwater Rates Comparison

City	Stormwater Rates (1 EDU)
Eugene	\$15.00
Cottage Grove	\$12.47
Corvallis	\$9.57
Harrisburg	\$3.60
Veneta	\$2.59
Creswell	\$0.00
Junction City	\$0.00
Coburg	\$0.00



Agenda

- Utility Rate Basics
- **Analysis Review**
 - » Water Utility
 - » Stormwater Utility
 - » **Sewer Utility**



Key Assumptions: Sewer

Annual Cost Inflation

- Salaries: 1.65%
- Benefits: 3.07%
- Other Operating Costs: 1.77%
- Construction Costs: 2.79%

Annual Growth Rates

- Customer Growth Rate: 0.90%

Operating Forecast

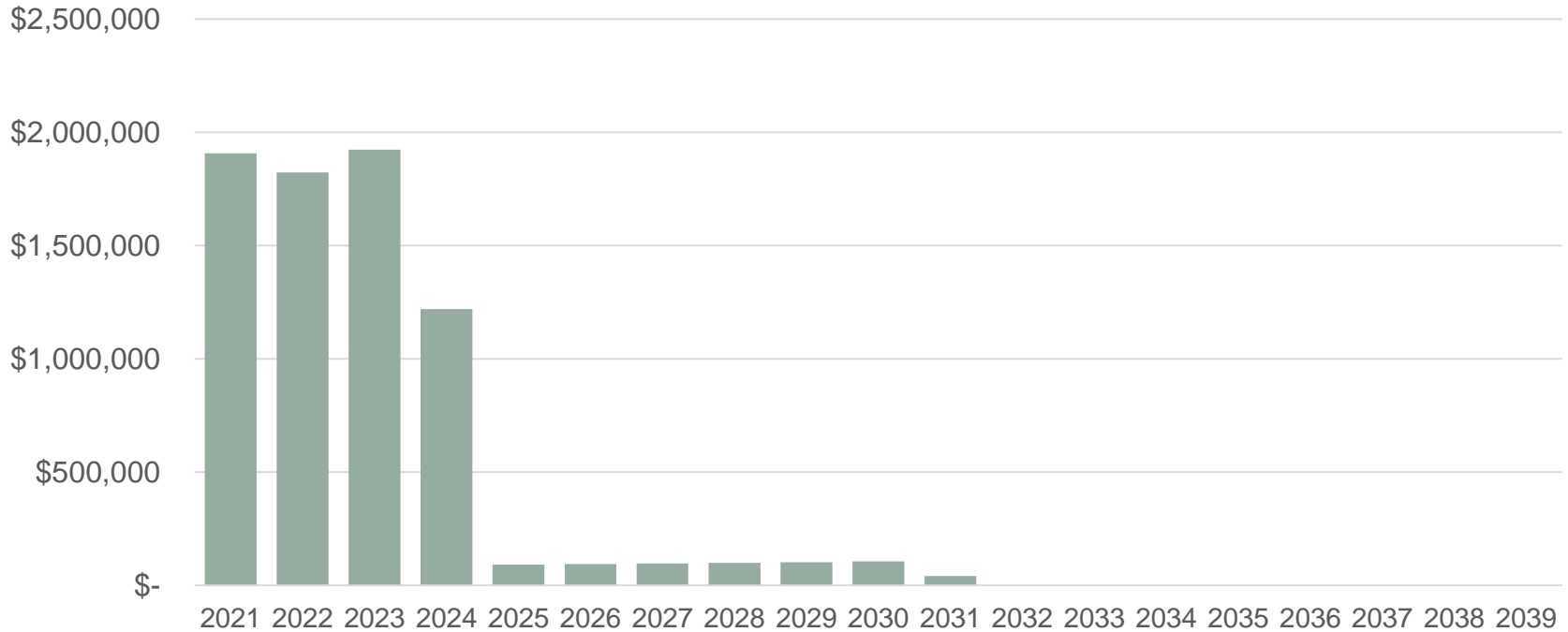
- Rate revenue based on the FY 2021 Budget, escalated by the anticipated customer growth
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 - Adjusted for inflation in future years

Financial Policies

- Min. Fund Balance Target: 45 days of O&M
- Capital Contingency Reserve: \$190k



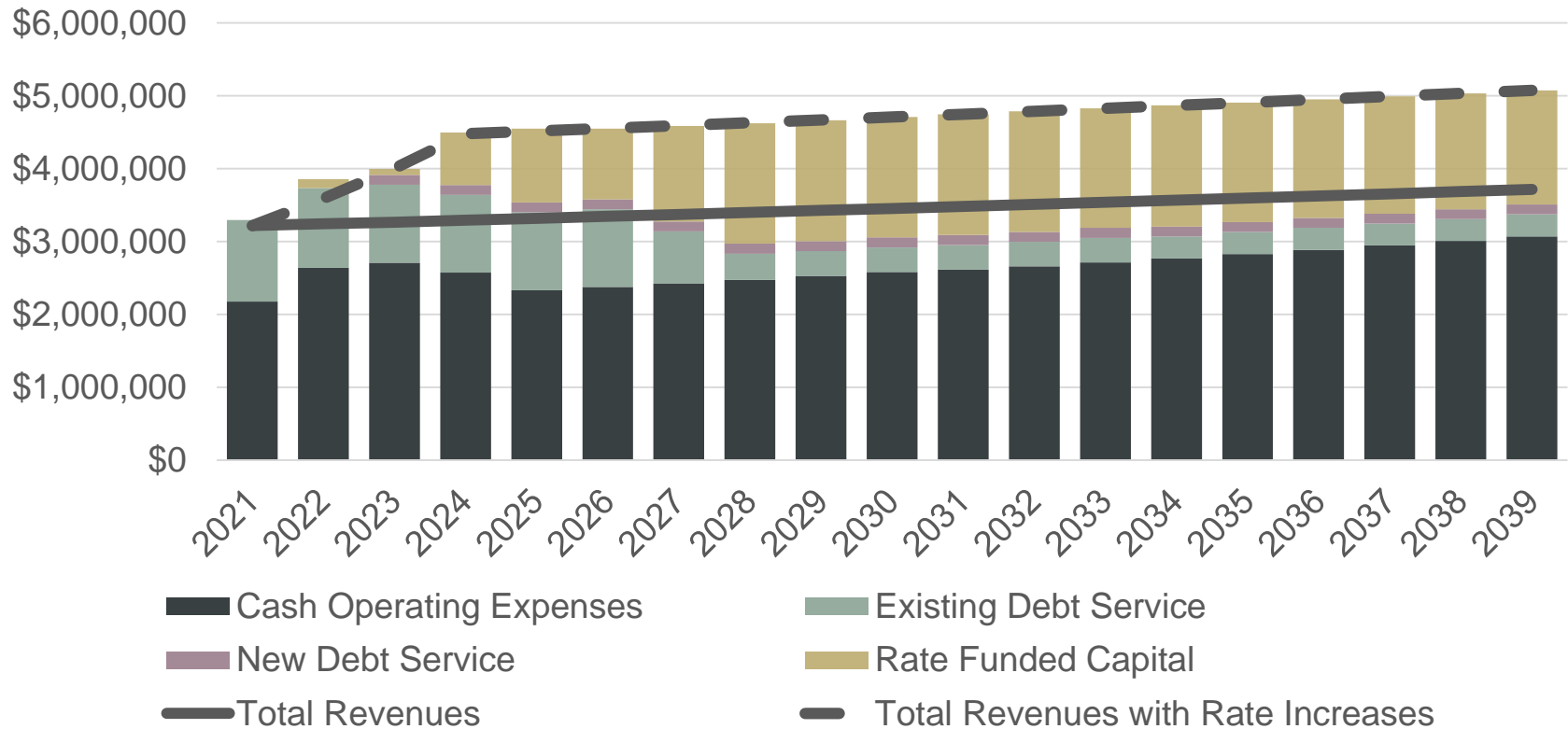
Capital Needs Forecast: Sewer



- **A total of \$7.5 million in projects in the next five years**
- **A revenue bond of \$1.7 million in FY 2023 is required to help fund the capital plan**



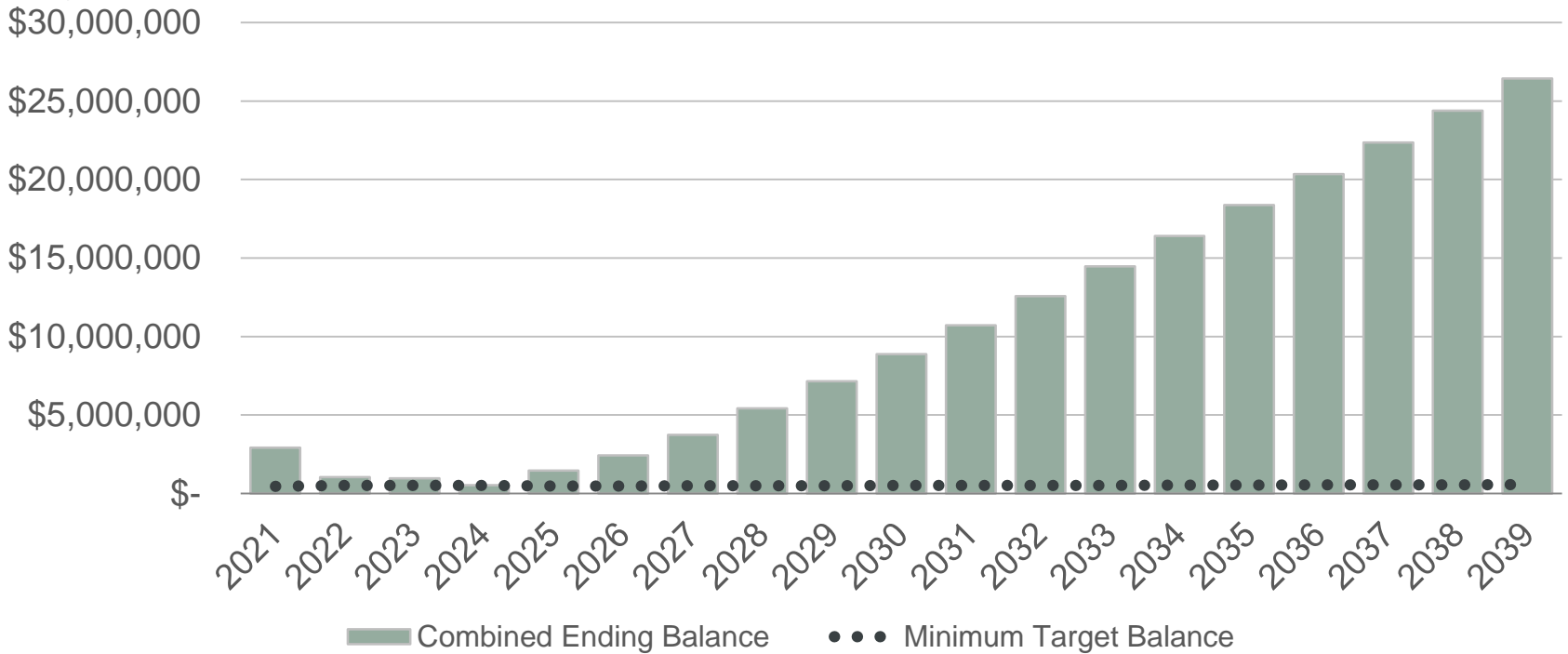
Revenue Requirement Forecast: Sewer



- **Three years of 12% rate increases are required to pay for the capital plan and to cover operating expenses**
- **The new revenue bond increases debt service**



Fund Balances: Sewer





Sewer Rates

Recommended Rate Schedule	Existing	ATB	ATB	ATB	ATB
Date of Adjustment	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024
Annual System-Wide Rate Increase		12.0%	12.0%	12.0%	0.0%
<u>System User Fee</u>					
<u>Inside City</u>					
Base Charges					
Residential	\$ 9.07	\$ 10.16	\$ 11.38	\$ 12.74	\$ 12.74
Commercial	9.07	10.16	11.38	12.74	12.74
Industrial	9.07	10.16	11.38	12.74	12.74
Schools	9.07	10.16	11.38	12.74	12.74
Assisted Rate	3.73	4.18	4.68	5.24	5.24
Volume Charges					
Residential	\$ 4.66	\$ 5.22	\$ 5.85	\$ 6.55	\$ 6.55
Commercial	4.66	5.22	5.85	6.55	6.55
Industrial	4.66	5.22	5.85	6.55	6.55
Schools	4.66	5.22	5.85	6.55	6.55
Assisted Rate	4.66	5.22	5.85	6.55	6.55

Outside-City customers are charged 150% of the above rates



Sewer Rates

Recommended Rate Schedule	Existing	ATB	ATB	ATB	ATB
Date of Adjustment	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024
Annual System-Wide Rate Increase		12.0%	12.0%	12.0%	0.0%
<u>System Improvement Fee</u>					
<u>Inside City</u>					
5/8" x 3/4"	\$ 21.32	\$ 23.88	\$ 26.74	\$ 29.95	\$ 29.95
1"	53.32	59.72	66.88	74.91	74.91
1-1/2"	106.65	119.45	133.78	149.84	149.84
2"	170.65	191.13	214.06	239.75	239.75
3"	341.26	382.21	428.08	479.45	479.45
4"	533.23	597.22	668.88	749.15	749.15
6"	1,053.01	1,179.37	1,320.90	1,479.40	1,479.40
8"	1,705.33	1,909.97	2,139.17	2,395.87	2,395.87
Sewer-Only Accounts	21.32	23.88	26.74	29.95	29.95

Outside-City customers are charged 150% of the above rates



Sewer Rates Comparison

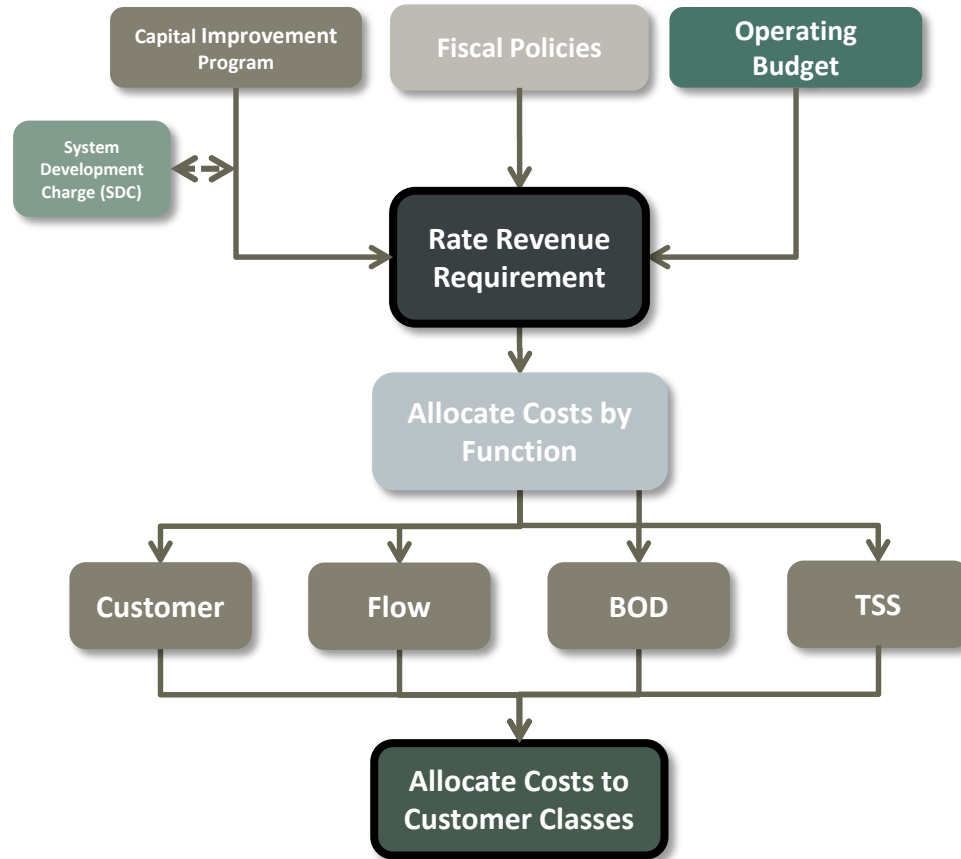
City	Sewer Rates (5,000 gallons)
Coburg	\$86.70
Harrisburg	\$72.48
Junction City	\$63.17
Cottage Grove (Proposed)	\$60.13
Creswell	\$55.73
Veneta	\$55.61
Cottage Grove (Current)	\$53.69
Corvallis	\$40.82
Eugene	\$39.25



From Revenue Req. to COSA

Revenue Requirement

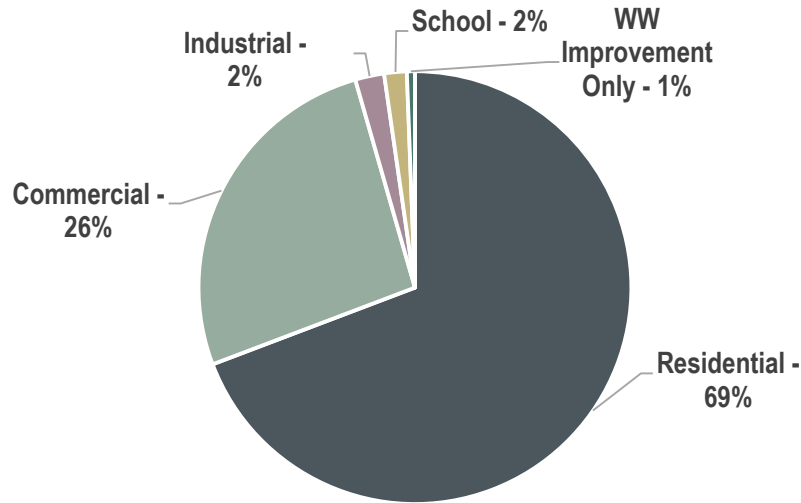
Cost of Service



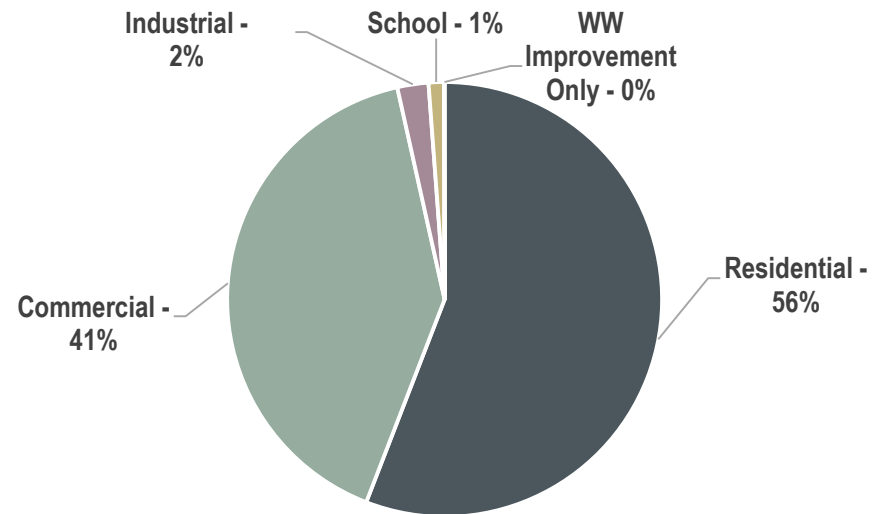


Cost Recovery Differences

Cost Recovery Under Existing Rates



Allocated Cost of Service





Extra Strength Surcharges

- Extra strength surcharges help to equitably collect the costs of treating high strength flows
- Distinctions can be made by class and within classes by BOD strength

Example

Sewer	Rate
Monthly Base Fee	
3/4"	\$60.72
1"	\$103.00
1-1/2"	\$200.11
2"	\$321.36
3"	\$648.71
4"	\$1,012.68
6"	\$2,019.10
Non-Residential Commodity Rates	
Low BOD <401	\$2.64
Medium BOD <801	\$3.95
High BOD >800	\$5.26
Permitted Industrial Users	
Flow per gallon	\$0.00139
BOD per lb	\$0.18
TSS per lb	\$0.29

Thank you! Questions?

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