

**CITY OF WASILLA
ORDINANCE SERIAL NO. 11-42**

AN ORDINANCE OF THE WASILLA CITY COUNCIL AMENDING THE FY2012 BUDGET BY APPROPRIATING \$16,317 FROM THE WATER AND SEWER FUND'S FUND BALANCE FOR A UTILITY RATE ANALYSIS .

Section 1. Classification. This is a non-code ordinance.

Section 2. Purpose. To amend the FY2012 budget by appropriating \$16,317 from the Water and Sewer Fund's fund balance for a utility rate analysis.

Section 3. Appropriation. The funds are appropriated to the following:


Water Other Purchased Services	320-4361-436.50-90	8,158
Sewer Other Purchased Services	310-4351-435.50-90	8,159

Section 4. Source of Funds.

Water Fund's Fund Balance	320-0000-253.20-00	8,158
Sewer Fund's Fund Balance	310-0000-253.20-00	8,159

Section 5. Effective date. This ordinance shall take effect upon adoption by the Wasilla City Council.

ADOPTED by the Wasilla City Council on November 28, 2011.



VERNE E. RUPRIGHT, Mayor

ATTEST:



KRISTIE SMITHERS, MMC, City Clerk

[SEAL]

Vote: Harris, Holler, Katkus, Menard, Sullivan-Leonard and Woodruff in favor.



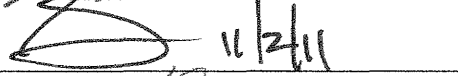



**CITY OF WASILLA
LEGISLATION STAFF REPORT**

ORDINANCE SERIAL No. 11-42: AN ORDINANCE OF THE WASILLA CITY COUNCIL AMENDING THE FY2012 BUDGET BY APPROPRIATING \$16,317 FROM THE WATER AND SEWER FUND'S FUND BALANCE FOR A UTILITY RATE ANALYSIS.

Agenda of: November 14, 2011 introduction
Originator: Public Works Director

Date: November 2, 2011

Route to:	Department	Signature/Date
X	Finance Director	 11/2/11
X	Interim Deputy Administrator	 11/2/11
X	Public Works Director	 11/2/11
X	City Clerk	 11/2/11

REVIEWED BY MAYOR VERNE E. RUPRIGHT: 

FISCAL IMPACT: yes \$16,317

Account name/number: Water Other Purchased Services/320-4361-436.50-90
Sewer Other Purchased Services/310-4351-435.50-90

Attachments: Utility Rate Analysis Proposal (6 pages)

SUMMARY STATEMENT: This ordinance amends the FY2012 budget by appropriating \$16,317 from the Water and Sewer Fund's fund balance for a utility rate analysis. This is in response to utility customer concerns on the current rate structure. HDR Alaska, Inc. has expertise in utility rate analysis as described in their proposal.

STAFF RECOMMENDATION: Approve the adoption of Ordinance Serial Number 11-42 that amends the FY2012 budget by appropriating \$16,317 from the Water and Sewer Fund's fund balance for a utility rate analysis.



October 18, 2011

Mr. Archie Giddings, P.E.
Public Works Director
City of Wasilla
290 E. Herring Avenue
Wasilla, AK 99654

Subject: Proposal to Provide a Water and Sewer Rate Structure Review

Dear Mr. Giddings:

Thank you for contacting HDR Alaska, Inc. (HDR) concerning a review of the City of Wasilla's (City) water and sewer rate structures. The City is interested in a comparison of its current water and sewer rates to similar utilities as well as the equitableness of the rates between various customers served by the City. The rate structure will also be compared to current industry trends to determine if they are contemporary. We appreciate the opportunity to provide these services to the City. Included within this proposal is a scope of services, overview of HDR staff, a project schedule, and fee estimate for the water and sewer rate structure review.

HDR is highly qualified to perform this work based upon our utility rate technical skills and experience. We also bring to the City a set of attributes that set us apart, including the following:

- HDR understands the unique aspects and challenges of the local area having recently provided rate services to local entities such as Anchorage Water and Wastewater Utility (AWWU), Utility Services of Alaska, City of Soldotna, City of King Cove, and the City and Borough of Wrangell.
- Shawn Koorn, the proposed Project Manager is highly experienced in conducting utility rate studies. He was the project manager for the City of Soldotna's water and sewer rate study and Technical Lead for AWWU and Utility Services of Alaska rate studies. He is nationally recognized for his water rate expertise and has been an instructor for the AWWA 3-day Financial Management seminar on water rates.
- HDR is very effective in communicating and working with policymakers on complex financial and rate issues. HDR views communication and public presentations as one of the most critical components to the overall success of the study.

Should you have any questions about our approach to this project or any information contained herein, please call Shawn directly at (425) 450-6366 or me at (907) 644-2124.

Sincerely yours, HDR ALASKA, INC.

Wescott Bott, P.E.
Water Group Manager



Introduction

HDR Alaska, Inc. (HDR) proposes to provide a water and sewer rate structure review for the City of Wasilla (City). In conducting this technical review, HDR will provide a review based on “generally accepted” rate setting and rate designs methods. At the same time, consideration will be given to current industry “best practices” and trends.

Goals and Objectives for the Study

Determining the City’s goals and objectives for the study is an important starting point. By gaining an understanding of these goals and objectives, the scope of services can be tailored to meet the City’s needs. Based on discussions with City staff, the following goals and objectives for this study have been developed:

- Review and discuss the City’s current water and sewer rate structures.
- Develop a comparison of water and sewer utility rate structures of similar local and national utilities of similar size.
- Review the interclass (e.g., residential and commercial), and intraclass (small vs. large user), equitableness of the current water and sewer rate structures between various customers served by the City.
- Develop alternative water and sewer rate structures for possible implementation.
- Develop bill comparisons for the alternative water and sewer rate structures to review the impact to customers.
- Provide an effective written and oral presentation of the results of this study.
- Work closely with the City management and staff to maximize the value of this study to the City.

Given these goals and objectives, a scope of services has been developed.

Detailed Description of the Proposed Scope of Services

The proposed scope of service is divided into several interrelated tasks. A discussion of each of these tasks is provided below.

Task 1—Initial Project Meeting (Conference Call) – The first task will be a conference call to further refine the goals and objectives of the rate structure review. In addition, the data needs for the study will be discussed and any data constraints resolved.

Expected City Staff Support for Task 1:

- Have key City management/project team members participate in the initial project meeting (conference call).

Deliverables as a Result of Task 1:

- A one-hour conference call to get the study off to a positive start.
- A review of the data request and resolution to any data constraints.

Task 2—Data Collection – HDR will provide to the City a written data request for the data and information necessary to complete the water rate study update. The data and information requested for this study should be, for the most part, readily available information (e.g., financial, customer, etc.).

Expected City Staff Support for Task 2:

- Gather the requested data needs for the water and sewer rate structure review.

Deliverables as a Result of Task 2:

- An initial written data request to the City prior to the initial project meeting.

Task 3—Rate Structure Review – The starting point in the analysis will be the development of a comparison of the City's water and sewer rate structures to local utilities as well as other utilities of similar size located outside of Alaska. This comparison will provide a starting point in reviewing alternative rate structures that may be of interest to the City. As part of this technical review HDR will provide a review of the current rate structure, and other possible rate structures reviewed that are of interest to the City, and provide a summary of the benefits and concerns of the particular rate structures. As part of this review HDR will also provide a discussion on the relationship between fixed and variable rate structure components. A technical memorandum will be developed and discussed on a conference call or Microsoft Live Meeting.

Expected City Staff Support for Task 3:

- Provide input on specific local utilities to compare the City's rates to.
- Provide guidance on rate structure components that are of interest to the City.

Deliverables as a Result of Task 3:

- A comparison of the City's rates to other similar utilities.
- A brief review of the current rate structure, as well as other rate structures reviewed.
- A discussion on the relationship between the fixed and variable components of rate structures.
- A technical memorandum summarizing the review completed.
- A conference call, or Microsoft Live Meeting, to discuss the results of this task.

Task 4—Development of Alternative Rate Structures – Based on the discussion and conclusions developed in Task 3, up to three alternative rate structures will be developed for each utility. These three alternatives will incorporate the City's goals, objectives, and concerns for the water and sewer rate structures. The benefits and concerns of each alternative rate structure will be provided during the review of the alternative rate structures. For each alternative rate structure developed a bill comparison will be developed. Bill comparisons are useful for understanding the potential impacts to customers at varying levels of consumptive use. HDR will review the alternative rate structures on a conference call or Microsoft Live Meeting to refine the final rate structure(s) that will be proposed going forward.

Expected City Staff Support for Task 4:

- Review the alternative rate structures.
- Provide input on any proposed rate structure to present for possible implementation.

Deliverables as a Result of Task 4:

- Up to three (3) alternative water rate structures.
- Up to three (3) alternative sewer rate structures.
- Conference call or Microsoft Live Meeting to discuss the conclusions of this task.

Task 5—Letter Report - HDR will develop a draft letter report of the analysis. The letter report is intended to be comprehensive in nature and document all of the activities undertaken as a part of the project, along with our findings, conclusions and recommendations. HDR will provide an electronic copy of the draft letter report to the City for review and comment. An electronic copy of the final letter report will be provided to the City.

Expected City Staff Support for Task 5:

- Review of the draft letter report.
- Provide one set of edits to HDR incorporating all City reviewers' comments.

Deliverables as a Result of Task 5:

- An electronic draft letter report.
- An electronic copy of the final letter report.

Task 6—Council Workshop - The overall quality and value of a study is often measured by the quality of the public presentation process. The ability of the consultant to present this technical material in a manner that is easily understandable to the City’s Council and public is paramount. HDR excels in this aspect of the study. HDR has included one (1) council meetings and/or public presentations. These include a presentation in a workshop forum with the City Council to present the conclusions and recommendations of the study.

During the analysis HDR will coordinate with the City project team to review and discuss each of the tasks developed. These meetings will be held via conference call or Microsoft Live Meeting. Any additional on-site meetings will be provided as additional services on a time and material basis.

Expected City Staff Support for Task 6:

- Determine the setting and time for the Council workshop.
- Review and comment on the presentation materials for the workshop.

Deliverables as a Result of Task 5:

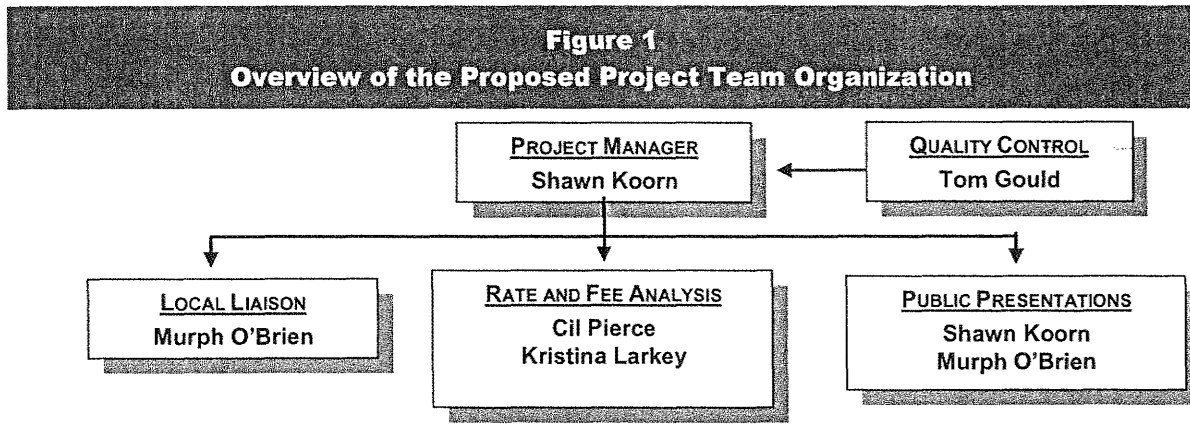
- Develop presentation materials.
- One (1) on-site Council Workshop to discuss the conclusions and recommendations of the study.

This concludes the discussion of the proposed scope of work for the City. This scope of work has been developed based upon our understanding of the City’s goals and objectives for this study. HDR is willing to modify our approach to meet the City’s specific needs.

Project Team Organization and Key Personnel

The HDR Utility Rates and Finance group has a number of highly experienced and qualified individuals who are nationally recognized for their expertise in financial planning and rate setting. If additional expertise (e.g., engineering, planning, etc.) is necessary HDR has the in house expertise to provide the services required.

For the City’s study, the project will be managed by Shawn Koorn. An overview of the project team organization for this study is shown below in Figure 2.



As can be seen, the project team is relatively small and compact. Our experience has shown that this approach maintains high quality control, provides improved communications within the team and is the most cost-efficient approach to conducting a study of this type.

Shawn Koorn, Project Manager/Utility Rates and Finance Lead

Mr. Shawn Koorn will be the Project Manager for the City's study. Shawn specializes in the areas of financial planning, cost of service and rates. He has been a Project Manager for numerous water and sewer rate studies. He is very effective in discussing and presenting the results of rate studies. Shawn is nationally recognized for his expertise in rate setting and has been an instructor for the AWWA 3-day Financial Management seminar.

Tom Gould, Project Principal / Director of Utility Rates and Finance

Tom Gould, a Vice President at HDR will provide overall quality control for this project. Tom is a nationally recognized expert in the area of cost of service and rate setting. With over 30 years of experience in setting rates, he has been the project principal for numerous water and sewer rate studies. He has worked with utilities across the U.S. and Canada. He has been an instructor for the American Water Works Association (AWWA) 3-day Financial Management Seminar for the past 20 years. He is also a member of the AWWA Rates and Charges Subcommittee and a contributing author to the AWWA M-34 and M-1 manuals on water rate setting.

Cil Pierce, Senior Financial Analyst

Cil Pierce will lead the technical development of the City's water and sewer rate structure review. Cil is a senior financial analyst and project manager in HDR's Utility Rates and Finance Group. Cil has worked with utilities across the Country.

Kristina Larkey, Financial Analyst

Kristina will assist in the development of the City's water and sewer rate review. Kristina is a highly accomplished modeler and has recently developed several user friendly rate models used by utilities to project rates.

Murph O'Brien, Local Liaison

Murph O'Brien is a senior transportation planner in HDR's Palmer, Alaska office. Murph will provide a local onsite presence to assist the City as needed during the study.

The above list provides a summary of the key individuals for the City's study. Each individual has also worked extensively with governing bodies, management, staff and the public to ensure that the goals and objectives of the utility are accomplished in a successful manner. Other staff members are available to assist if needed.

Estimated Project Time Schedule

An analysis of this type generally requires 8 to 16 weeks to complete, depending upon a number of factors. These factors include the amount of time required by the City to collect the necessary data, the quality of the data provided, the ability to schedule meetings with City staff in a timely manner and, most importantly, receive policy direction from the City's management and/or Council on the study. HDR will work with the City to develop a time schedule that meets the City's needs.

Project Estimated Fees

Based upon the current hourly billing rates and the estimated labor needed to conduct the analysis, HDR has developed a fee estimate. Provided in Figure 2 is a summary of the fee estimate by task.

Figure 2
Summary of the Estimated Fees

Task/Task Description	Total
1 Initial Project Meeting	\$604
2 Data Request	917
3 Rate Structure Review	3,789
4 Development of Alternative Rate Structures	5,734
5 Letter Report	1,783
6 Council Workshop	<u>2,162</u>
Subtotal Labor	\$14,989
Plus: Expenses	<u>\$1,328</u>
Total Fee Estimate	<u>\$16,317</u>

The above fee estimate is based upon the technical proposal developed by HDR. HDR is willing to negotiate a final fee based upon a scope of services and enter into a lump sum not to exceed contract with the City. Should the City request any additional services under this contract, the services can be provided on a time and material basis. All portions of this cost proposal can be expanded or reduced as mutually agreed upon in writing by City and HDR. The above quoted fees will remain in effect until December 1, 2011.