REQUEST FOR COUNCIL ACTION

MEETING DATE: 12/15/03 41

AGENDA SECTION: CONSENT AGENDA	ORIGINATING DEPT: Public Works	ITEM NO. D-13
ITEM DESCRIPTION: Sewer Utility Rate Study Professional Services Agreement J-4394		PREPARED BY: R. Freese

In October 1997 the City Council received a report on the results of the sewer rate study conducted by Brown and Caldwell. Subsequently the City Council adopted a Resolution that established sewer rates for the period 1998-2002. The enacted sewer rate increase provided a moderate, yet uniform revenue increase of 2.5% per year over the 5-year period. On June 17, 2003 the City Council approved a Resolution increasing the Sewer Utility Rates by 2.5% for 2003. No Sewer Utility Rate increase is in place for 2004. A sewer service charge system is established by City Ordinance whereby revenue will be collected from the users of the wastewater facilities to pay the cost incurred by the city for administration, operation and maintenance, replacement an debt service of such facilities.

As a result of the preliminary facility planning, preliminary engineering and Value Engineering session, we now have specific information regarding the costs of construction and operation of the Water Reclamation Plant.

Public Works and Finance Department staff have reviewed a professional services agreement proposal from Brown and Caldwell to update the Sewer Utility Rate model they prepared for the city in 1997. The Study will cost $65,118 and will establish rates for the period 2004-2008. The Sewer Utility Rate Study process evaluates previous operating expenses and system use to establish a base year. Projections on residential and non-residential growth are factored into the model based on data provided by the Rochester Olmsted Planning Department. Capita and operating budget expenditures are also incorporated into the analysis.

Sewer rates are developed based on a methodology commonly referred to as "cost of service". The Sewer Utility's operation, maintenance, replacement and capital costs are allocated to the following treatment parameters: customer, flow, BOD, TSS, and phosphorous. The annual cost for each parameter is divided by the estimated number of units of treatment to derive the unit cost of service for each parameter. Each and every customer pays the same UNIT COST OF SERVICE for each treatment parameter.

All residential and most commercial customers pay for domestic strength wastewater. The number of CCF (100 cubic feet; 748 cubic feet equals 1,000 gallons) contributed to the collection and treatment system determines each customer's monthly bill. Industrial customers pay the same rates as residential and commercial customers, but thei wastewater is typically of higher BOD and TSS strength and they pay a surcharge for strengths exceeding domestic strength wastewater.

The proposed WRP expansion cost is estimated at approximately $44M, the cost of upgrades/replacements to the existing plant is estimated at $25M. The capital (and bond interest) costs of the upgrades/replacements to the existing plant will be a cost recovered through increased sewer rates. The capital (and bond interest) cost of expansion of the WRP can be recovered through increased sewer rates, or as a Connection Charge collected from new development at the time of connection, or some combination of the two methods. The Sewer Utility Rate Study will analyze the Incremental Growth-Related Cost Method for establishing Connection Charges.

A preliminary report on sewer rate impacts of the WRP expansion and upgrade projects will be provide to the City Council at a Committee of the Whole Meeting on 1/26/04.

COUNCIL ACTION REQUESTED:

Authorize the Mayor and City Clerk to execute a Professional Services Agreement with Brown and Caldwell for a Sewer Utility Rate Study, J-4394.

COUNCIL ACTION: Motion by:_____ Second by:_____ to:

42