

**CITY OF BOULDER
WATER RESOURCES ADVISORY BOARD
INFORMATION PACKET MEMORANDUM**

To: Water Resources Advisory Board

From: Jeff Arthur, Director of Public Works for Utilities
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Date: February 22, 2016

Subject: Information Item: Status Update for Utility Rate Study

I. PURPOSE

The purpose of this memo is to provide the board with an update on the status of the Utility Rate Study, including a projected timeline of key milestones for 2016.

II. CONSULTANT SELECTION

Based on feedback and guidance from WRAB at the June meeting, staff developed a preliminary scope of work for the analysis phase of the project. The preliminary scope of work informed a request for consultant proposals (RFP) which was issued in early November. Staff received four complete proposals and selected Denver-based Raftelis Financial Consultants (RFC) to assist with the project. Staff is in the final stages of scope and contract negotiation.

III. SCOPE OF WORK AND PROCESS

The project is roughly divided into three phases, with key tasks and WRAB meetings, as follows:

Phase 1 – Investigation and Assessment (February – May)

RFC will assist the staff in comprehensively understanding what is happening within the rate structures and the pros and cons of the current systems. The consultant team and staff will present these preliminary findings to WRAB at the May meeting. WRAB’s feedback will help determine which identified issues require a new approach within the rate structures. Key tasks in Phase 1 will include:

- System Review: RFC will gather all relevant data to understand the financial operation of the city’s utilities.
- Cost of Service Analysis: RFC will review cost of service components of existing water, wastewater, and stormwater/flood management rate models. The analysis will include all customer classes and will be consistent with American Water Works Association and Water Environment Federation standards.

- **Water Budget Rate Review:** RFC will complete a comprehensive evaluation of the water budget rate structure, including:
 - A review of historical consumption and revenue to evaluate the effectiveness in meeting the rate structure goals.
 - A detailed comparison of rate policies, practices, and procedures against water budget best practices.
 - A discussion of legal risk of challenges to the rate structure.
 - An evaluation of alternative assessment schedules which may better meet stated goals.

- **Revenue Stability Analysis:** RFC will summarize the “current performance” of the utilities (with a focus on the water utility) regarding the revenue stability principle. The analysis will provide for:
 - A review of advantages and disadvantages of adjusting the ratio of fixed to variable charges.
 - A review of both water and wastewater service charge revenues for existing and alternative rate structures.
 - A review of historical annual billed wastewater volume and volume-based revenues reflecting AWC and/or monthly water use since 2000.

- **Analysis of Stormwater Fee Calculation Methodology :** RFC will analyze the current methodology and alternatives with the goals of:
 - Facilitating the ease of communicating the rate structure to customers and simplifying presentation of rates.
 - Maximizing equity for different customer classes.
 - Updating cost recovery and pricing policies (including development of credits and incentives) to improve incentives for development of green infrastructure and adoption of best practices for onsite stormwater management.

Phase 2 – Analysis of Potential Alternatives (June – September)

Based on WRAB feedback at the May meeting, and staff direction, RFC will develop and analyze options to address issues identified in the first phase. Alternatives will be developed and tested across all three utilities and all customer classes. Bill impacts will be calculated for a single test year. Staff and RFC will present the results of the options analysis at the September meeting and offer draft recommendations as appropriate. Depending on the results of this phase, staff may update council within the context of the 2017 budget process and, if feasible, any simple and/or non-controversial changes may be recommended for adoption in the budget.

Phase 3 – Recommendations (October – December)

Based on the results of the second phase and WRAB discussion in September, staff and RFC will refine the analysis and draft recommendations and present a final report for WRAB’s acceptance and recommendation to council.

IV. NEXT STEPS

February, 2016 – By the end of the month, staff will execute a contract with RFC and work will begin on the first phase of the analysis. Staff will be available to answer questions at the February 22 WRAB meeting.

May, 2016 – Staff and RFC will present preliminary findings and seek WRAB feedback at the May 16 meeting.