Memorandum

To: Mayor and City Council Members
Douglas Faseler, City Manager

From: Rick Cortes, Assistant City Manager

Subject: Water and Sewer Costs of Service and Impact Fee Studies Briefing

Date: March 3, 2015

Please be advised that staff has requested and received a proposal from Economists.com to provide a water and wastewater rate study and impact fee study for the City of Seguin. Economists.com is an economic and financial consulting firm, with offices in Dallas, Texas and Portland, Oregon; their principal clients are national, state and local governments. Presently, Economist.com provides rate services to the Schertz Seguin Local Water Corporation (SSLGC).

The proposed study will provide city staff with much needed information which will allow staff to continue in its efforts to more equitably distribute costs within the Water, and Wastewater Departments. The previous study was conducted in 2009 by Rimrock Consulting from Austin Texas. These studies will help ensure that the rates charged for service cover all costs of providing these services. Additionally, the study will allow the City to evaluate its options regarding the financing of long-term capital improvements in its water and wastewater system. The amount and timing of capital improvements will have a major impact on the ultimate rates charged to its customers. One objective of this study is to develop a long-term rate plan that will enable the City to recover sufficient funds to meet all operating and capital expenses, meet all debt service and coverage requirements, while at the same time minimizing the impact on the ratepayers

Economist.com will work closely with City staff and council to ensure that the rate plan alternatives reflect the preferences of the ratepayers of the City. Economist.com work plan includes but is not limited to the following specific assistance:

- A detailed analysis and comparison of the City's current and proposed rates to the state average as well as other surrounding communities.

- Using current budget, volume and CIP data, the project team will prepare a comprehensive ten year water and wastewater cost of service forecast model. The model will identify current and forecast operating expenses, capital outlays and debt service for the period 2015 – 2024.

- The model will contain modules that will allow for the calculation of overall cost of service for the water and wastewater utilities and the cost of service by designated customer class (residential, commercial, multi-family, etc.).

- The project team will prepare a water and wastewater long-term rate plan for the City Council to consider. This rate plan will include several alternative water and wastewater proposed rate structures for staff and the Council to evaluate.

- The project team will summarize its analysis into a comprehensive rate study report that will provide background analysis and all relevant documentation supporting the calculations and rate alternatives.

- Economist.com will conduct an initial data-gathering meeting with City staff to review information and needs and to tour City facilities, a meeting with City staff to review preliminary results, a workshop with the City Council and Utility Committee to discuss their findings and recommendations, a public hearing to discuss the impact of the rate plan on ratepayers, and a final meeting with the City Council at which the rate plan is adopted.

In addition to the water and wastewater rate study, Economist.com is being retained to implement/update the City's schedule of water and wastewater impact fees. State statue require that impact fees be reviewed and updated prior to their five year anniversary. The five year anniversary for the City of Seguin impact fees is January 2016. It is our goal to have our current fees reviewed, updated and adopted by December 2015. Be advised that the fees must be implemented under the strict and extensive guidelines of Chapter 395 of the state of Texas Local Government Code.

The costs for the water and wastewater rate study and long-term financial plan will be based on a not-to-exceed total for professional fees and expenses of $29,000 and the cost to complete the scope of services for the water and wastewater impact fee study for a not-to exceed total for professional fees and expenses will be $17,000, for a combined total for professional fees and expenses for both studies of $46,000. Funding for the rate study is in the Utility Administration Department Professional Services budget, and funding for the impact fee study was recently approved in a Utility Fund budget adjustment to be funded by impact fee revenues.