



Date of Council Work Session: July 9, 2012

**TOWN OF LEESBURG
TOWN COUNCIL WORK SESSION**

Subject: Update on Utility Rate Advisory Committee Review of Scope of Work

Staff Contact: Amy Wyks, Director of Utilities
John Wells, Town Manager

The Utility Rate Advisory Committee (URAC) members updated and approved the attached scope of work that Town Council initially reviewed at the March 12, 2012 Town Council Work Session. URAC members discussed and finalized the RFP at the May 31, 2012 meeting and agreed to provide the final scope of work to Council at the July 9, 2012 Town Council Work Session.

No Council action is needed at this time. This is just an update on the progress of work.

Attachment: (1) Scope of Work – Water and Sewer Rate Study as approved by URAC.

Memo.URAC RFP

Water and Sewer Rate Study

Purpose

The Town of Leesburg is accepting competitive sealed proposals to provide comprehensive water and wastewater cost of service study and a review of alternative rate designs for the town's municipally owned and operated water and wastewater utility system. The selected consultant shall determine revenue requirements and rate recommendations for FY 2014 and financial projections and recommended rates for fiscal years 2015 -2019. The consultant's recommendations will be based on an analysis of revenue requirements and a rate impact study that considers the current rate structure and an alternative tiered rate structure developed by the consultant based on specifications detailed in the Scope of Work below.

Scope of Work

The offeror will review the town's water and sewer system and evaluate the current utility rates and structure to determine if rates are adequate to fund system operations and capital financing requirements for fiscal years 2014 – 2019. The offeror will develop an alternative rate structure based on a tiered rate structure that insures compliance with all revenue bond covenants and meets the systems necessary revenue requirements so that operating revenue meets operating expenses.

- a. Evaluate the Town's water and sewer system current utility rates and structure to determine if rates are adequate to fund the system operations and capital financing requirements for fiscal years 2014 – 2019. The offeror shall conduct a complete and thorough review of all legal and financial obligations of Town's wastewater and water utility systems related to revenue, paying particular attention to the following:
 - i. Compliance with revenue bond covenants;
 - ii. The adequacy/equity of the current rate structure with regard to cost of serving various customer classes;
 - iii. Review the adequacy of the approach used in financing capital improvements;
 - iv. Review the adequacy for funding capital projects;
 - v. Review frequency of billing cycles and collection policy in an effort to improve cash flow position; and
 - vi. Review and update, as necessary, the existing computer based water and sewer rate model utilized by town staff for rate analysis. The existing rate model is designed utilizing Microsoft Excel.

- b.** The offeror shall develop an alternative rate structure for water and wastewater that reflect the following fundamental characteristics:
- i. Meet revenue needs as identified in Part a of this Scope of Work;
 - ii. Ensure equity with regard to cost of serving various customer classes;
 - iii. A tiered water rate structure with a fixed rate component for both residential and commercial customers, with tiers defined by water usage;
 - iv. The fixed rate component should represent a higher percentage of the revenue stream than the current system;
 - v. Rate increases shall be implemented in both the fixed rate component and usage rates as necessary to meet revenue requirements;
 - vi. Rate increases should be incremental and preprogrammed into the rate strategy;
 - vii. Implementation costs to the Town and customers should be minimized;
 - viii. High usage pricing shall be driven by conservation principles, capacity utilization, and capital expenditures;
 - ix. Include and evaluate alternative options to the current 1:1 sewer/water fee, including an option more reflective of actual customer sewer use during warmer months;
 - x. Low volume users should see minimal bill increases compared to current billing structure;
 - xi. The rate structure should not include excessive increases to low income customers;
 - xii. The rate structure should not penalize low usage or “snow bird” customers; and
 - xiii. The rate structure should not increase the current out of town rate differential.
- c.** The offeror shall work with, and shall accept guidance from Town Council and the Utility Rate Advisory Committee (URAC) in the development of the alternative rate structure. In doing so, the offeror shall attend and meet with URAC prior to the development of the initial alternative rate structure to discuss the goals moving forward. The offeror shall attend and meet with URAC after developing a draft alternative rate structure to explain the alternative rate structure, respond to comments, and answer questions. The offeror shall consider all comments received by URAC and Town Council, and revise the draft alternative rate structure as necessary. Regular updates shall be provided to Town Council and URAC regarding the progress and development of the alternative rate structure.

- d. Meeting Attendance** – In accordance with State law, before any increase can be authorized in utility rates and fees, the town must first hold a public hearing. The successful offeror will be required to attend and participate in all Council meetings and workshops as well as public hearings where any proposed rate increase would be discussed. The offeror shall revise the alternative rate structure as necessary.
- e. Town provided information** – Information to be provided by the Town on request:
- i. Historical customer billing records;
 - ii. Historical financial data, budgets and capital improvements programs;
 - iii. Projected financial data, budgets and capital improvements programs;
 - iv. Historical water system production amounts;
 - v. Historical wastewater system operation data;
 - vi. Projected water system demand;
 - vii. Projected wastewater operational data; and
 - viii. Detail fixed asset records.