

# City of Depoe Bay Water and Sewer Rate Study



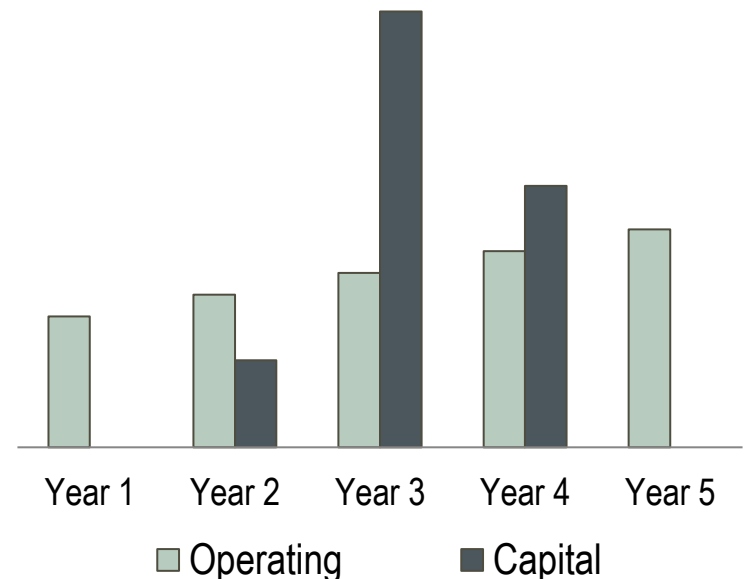
**Presented to the Depoe Bay City  
Council**

**Tuesday, August 17, 2021**

**Prepared by FCS GROUP**

# Rate Basics

- **Utility rates are set to recover the cost of providing service.**
- **Utilities incur two primary types of costs:**
  - » Operating costs (regular / ongoing)
    - Employee salaries and benefits
    - Power and chemicals
    - Asset repair and maintenance
  - » Capital costs (irregular / periodic)
    - Infrastructure replacement
    - Facility expansions and upgrades





# Agenda

- **Water utility revenue requirement**
- **Sewer utility revenue requirement**
- **Utility rates comparison**



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- **Water utility revenue requirement**
- Sewer utility revenue requirement
- Utility rates comparison



# Key Assumptions: Water

## Annual Cost Inflation

- General costs: 1.73%
- Construction costs: 2.68%
- Labor costs: 1.65%
- Benefits costs: 3.17%

## Annual Customer Growth Rate

- 1.41% per year (based on PSU population projections)

## Operating Forecast

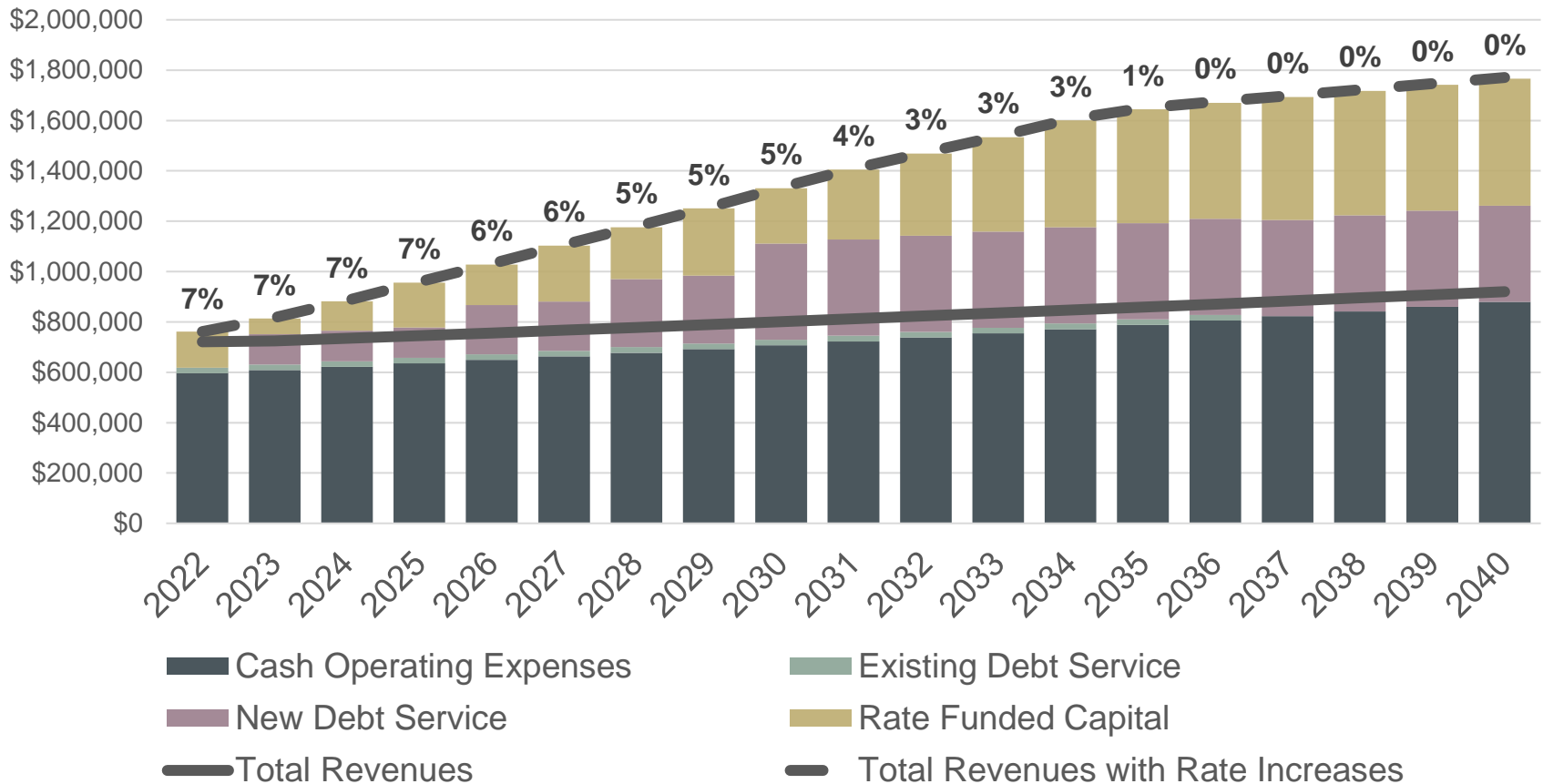
- Rate revenue based on the FY 2021-22 budget, escalated by the anticipated customer growth
- Operating costs and non-rate revenues based on FY 2021-22 budget, adjusted for inflation in future years

## Financial Policies

- Min. Fund Balance Target: 90 days of O&M



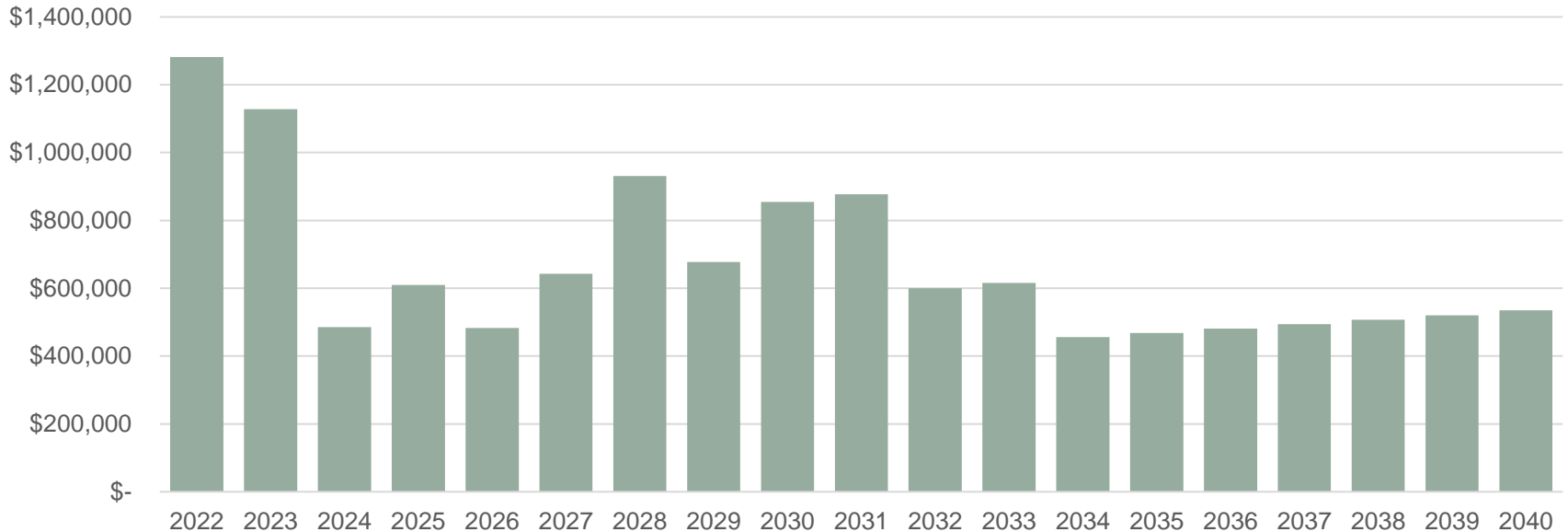
# Revenue Requirement Forecast: Water



- **Rate increases are needed primarily to keep up with the debt service needed to fund capital projects**
- **System development charge revenues are assumed to decrease**



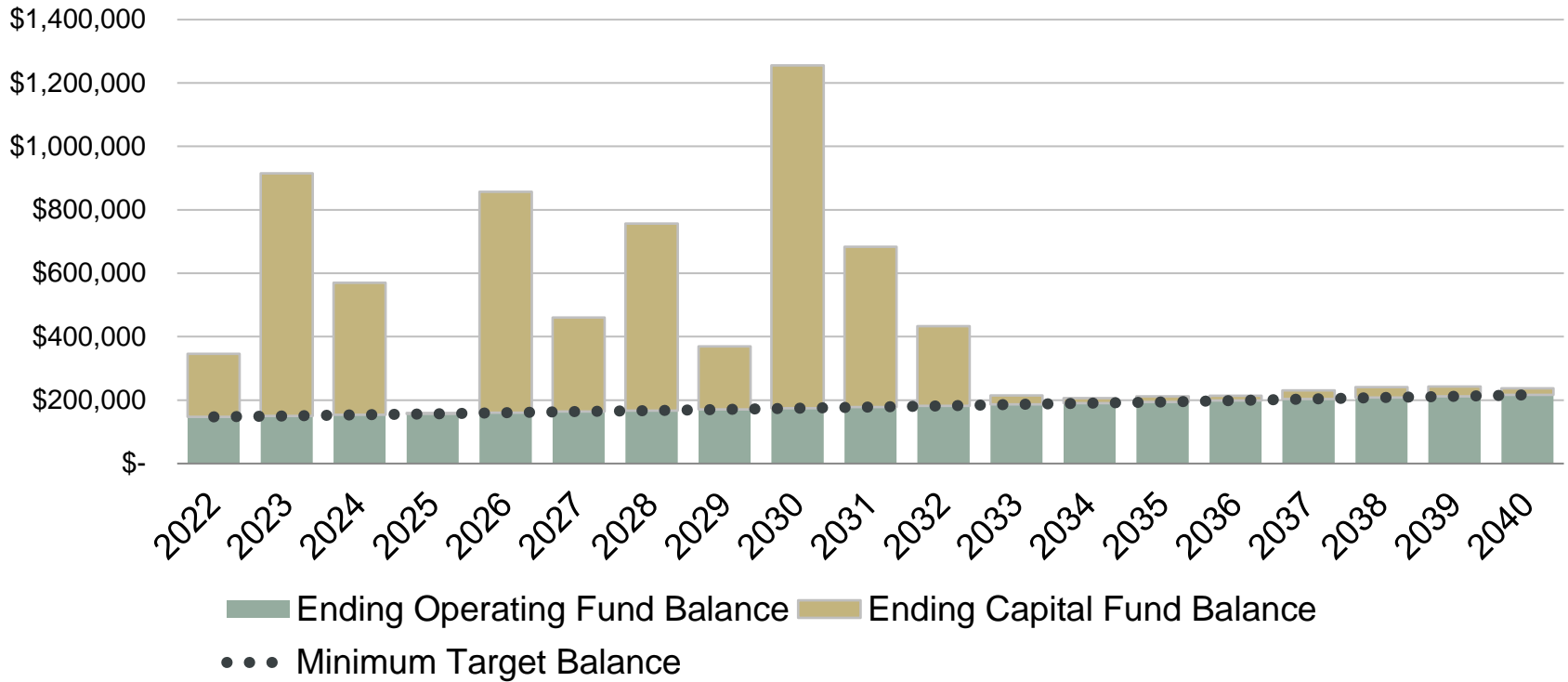
# Capital Needs Forecast: Water



- **Major repair and replacement estimates starts at \$350,000 per year**
- **\$1.7 million in water source, water treatment, and pump station projects in the first two years**
- **\$2.3 million in water main and other distribution projects beginning in FY 2023-24, continuing through FY 2032-33**



# Fund Balances: Water



	FY 2022-23	FY 2025-26	FY 2027-28	FY 2029-30
Revenue Bond	\$1,600,000	\$1,000,000	\$1,000,000	\$1,500,000





# Rate Schedule: Water

Across-the-Board Rate Schedule	Existing 2021	ATB 2022	ATB 2023	ATB 2024	ATB 2025	ATB 2026
<b>Annual System-Wide Rate Increase</b>		<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>6.00%</b>
Base Rate per EDU	\$46.50	\$49.76	\$53.24	\$56.96	\$60.95	\$64.61
Usage Rate per thousand gallons	\$3.50	\$3.75	\$4.01	\$4.29	\$4.59	\$4.86

Note: Assumes an annual implementation date of September 1.

“Across-the-Board” (ATB) means that all stated rates increase by the same percentage (both the fixed and volume charges), which maintains the existing rate structure.



# Agenda

- Water utility revenue requirement
- **Sewer utility revenue requirement**
  - » Scenario 1: Baseline
  - » Scenario 2: GSD leaves in FY 2028-29
- Utility rates comparison



# Key Assumptions: Sewer Baseline

## Annual Cost Inflation

- General costs: 1.73%
- Construction costs: 2.68%
- Labor costs: 1.65%
- Benefits costs: 3.17%

## Annual Customer Growth Rate

- 1.41% per year (based on PSU population projections)

## Financial Policies

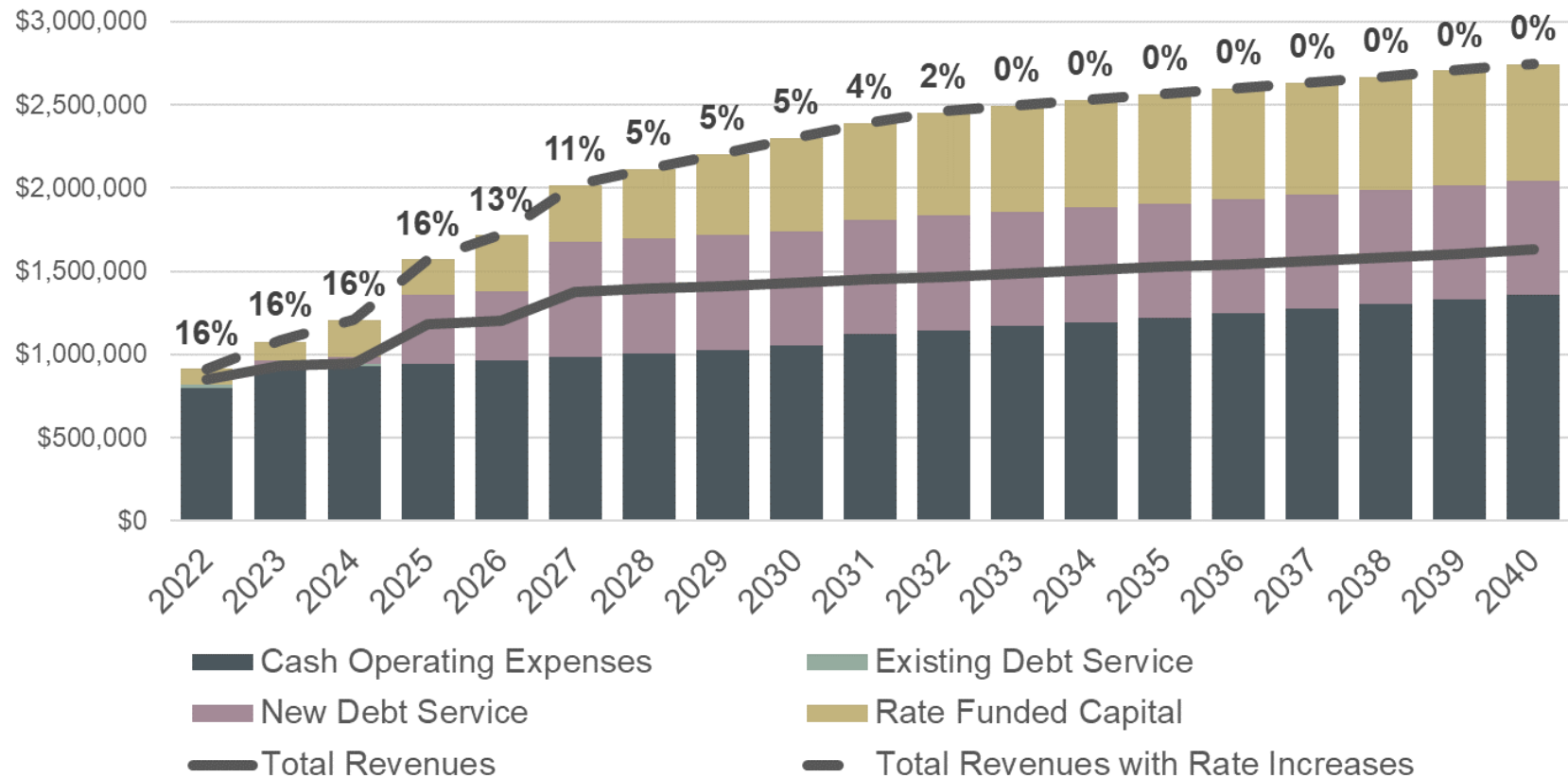
- Min. Fund Balance Target: 45 days of O&M

## Operating Forecast

- Gleneden Sewer District (GSD) pays 58.00% of most costs
- New treatment plant operator (additional \$90,000 per year) needed starting in FY 2022-23
- Rate revenue based on the FY 2021-22 budget, escalated by the anticipated customer growth
- Operating costs and non-rate revenues based on FY 2021-22 budget, adjusted for inflation in future years



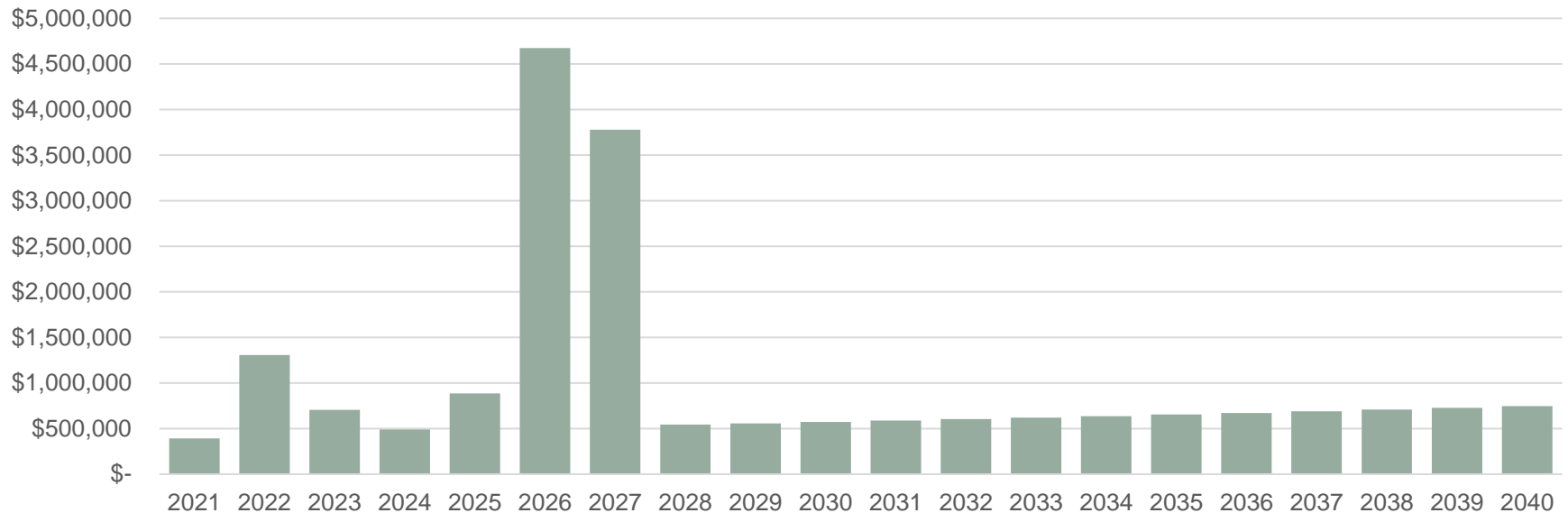
## Revenue Requirement Forecast: Sewer Baseline



- **Rate increases are needed primarily to keep up with the debt service needed to fund capital projects**
- **GSD revenues increase to help pay for capital projects**
- **System development charge revenues expected to decrease**



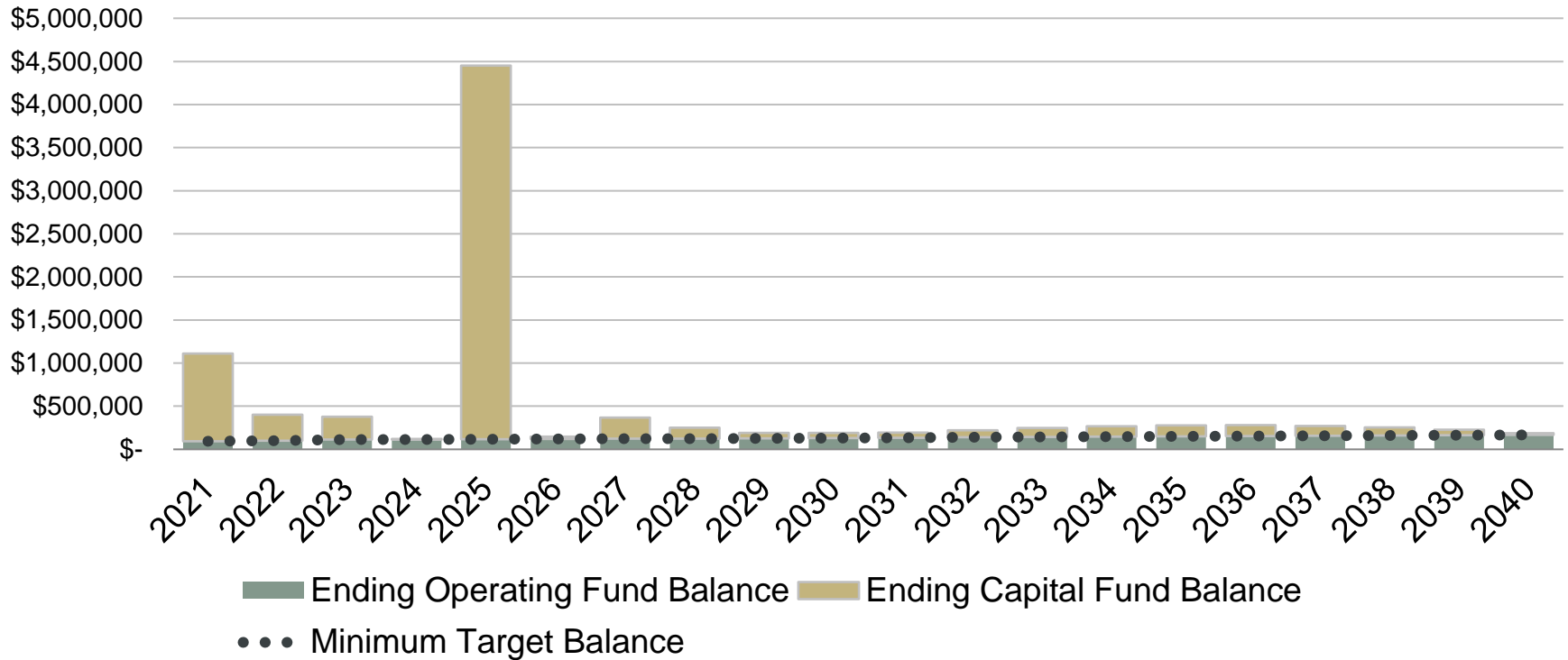
# Capital Needs Forecast: Sewer Baseline



- **Major repair and replacement estimates starts at \$475,000 per year in FY 2022-23**
- **Large pipeline and trunkline projects in FY 2025-26 and FY 2026-27**



# Fund Balances: Sewer Baseline



	FY 2022-23	FY 2024-25	FY 2026-27
Revenue Bond	\$550,000	\$5,000,000	\$3,650,000



# Rate Schedule: Sewer Baseline

Across-the-Board Rate Schedule	Existing 2021	ATB 2022	ATB 2023	ATB 2024	ATB 2025	ATB 2026
<b>Annual System-Wide Rate Increase</b>		<b>16.00%</b>	<b>16.00%</b>	<b>16.00%</b>	<b>16.00%</b>	<b>13.00%</b>
Base Rate per EDU	\$33.00	\$38.28	\$44.40	\$51.51	\$59.75	\$67.52
Usage Rate per thousand gallons	\$3.50	\$4.06	\$4.71	\$5.46	\$6.34	\$7.16

Note: Assumes an annual implementation date of September 1.

“Across-the-Board” (ATB) means that all stated rates increase by the same percentage (both the fixed and volume charges), which maintains the existing rate structure.



# Agenda

- Water utility revenue requirement
- **Sewer utility revenue requirement**
  - » Scenario 1: Baseline
  - » Scenario 2: GSD leaves in FY 2028-29
- Utility rates comparison





# Key Assumptions: GSD Leaves in FY 29

## Annual Cost Inflation

- General costs: 1.73%
- Construction costs: 2.68%
- Labor costs: 1.65%
- Benefits costs: 3.17%

## Annual Customer Growth Rate

- 1.41% per year (based on PSU population projections)

## Financial Policies

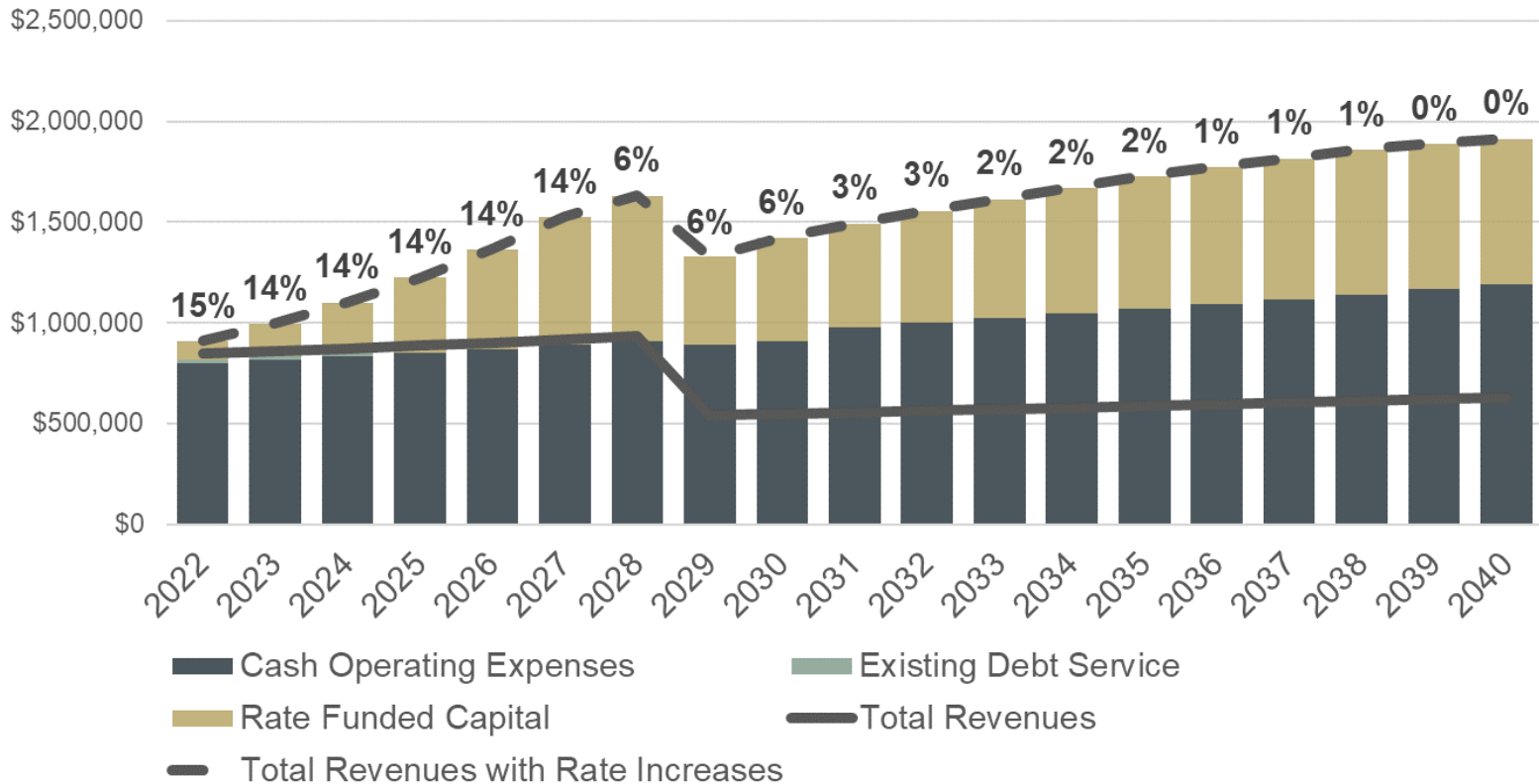
- Min. Fund Balance Target: 45 days of O&M

## Operating Forecast

- Gleneden Sewer District (GSD) pays 58.00% of most costs **until FY 2028-29**
- New treatment plant operator not needed
- Rate revenue based on the FY 2021-22 budget, escalated by the anticipated customer growth
- Operating costs and non-rate revenues based on FY 2021-22 budget, adjusted for inflation in future years



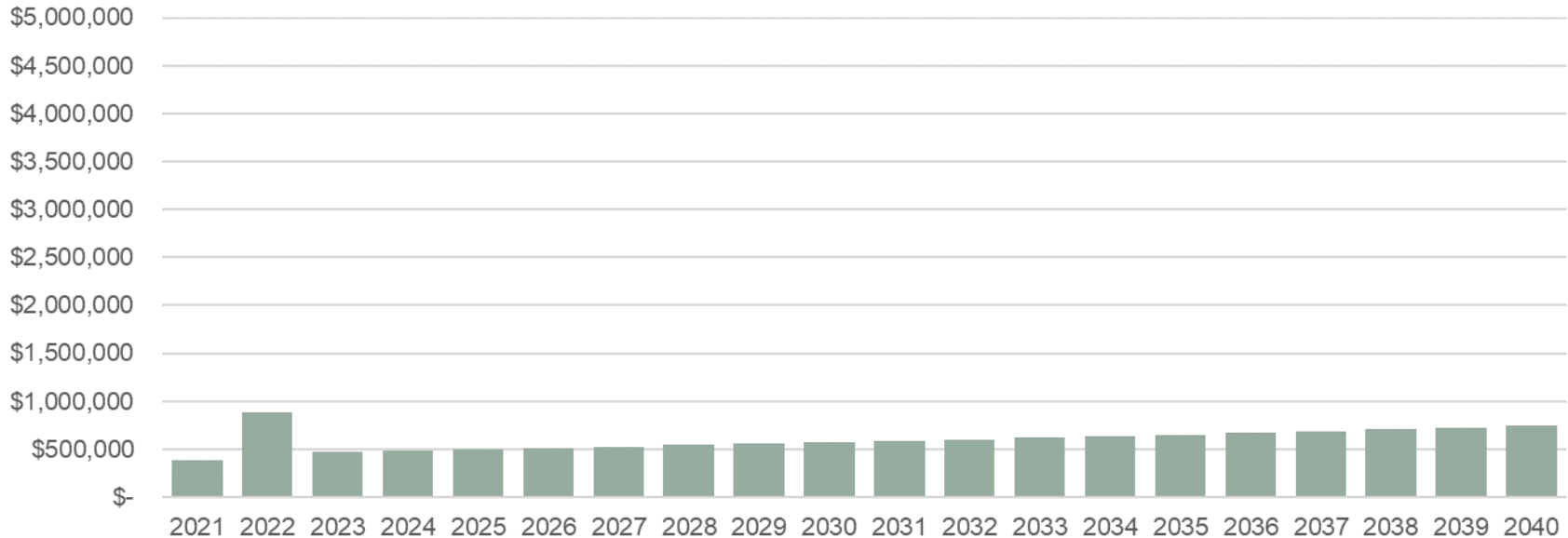
## Revenue Requirement Forecast: GSD Leaves in FY 29



- **Rate increases are needed to prepare for GSD leaving and to provide for major repair and replacement projects**
- **Revenue falls in FY 2028-29 as GSD leaves**
- **System development charge revenue expected to decrease**



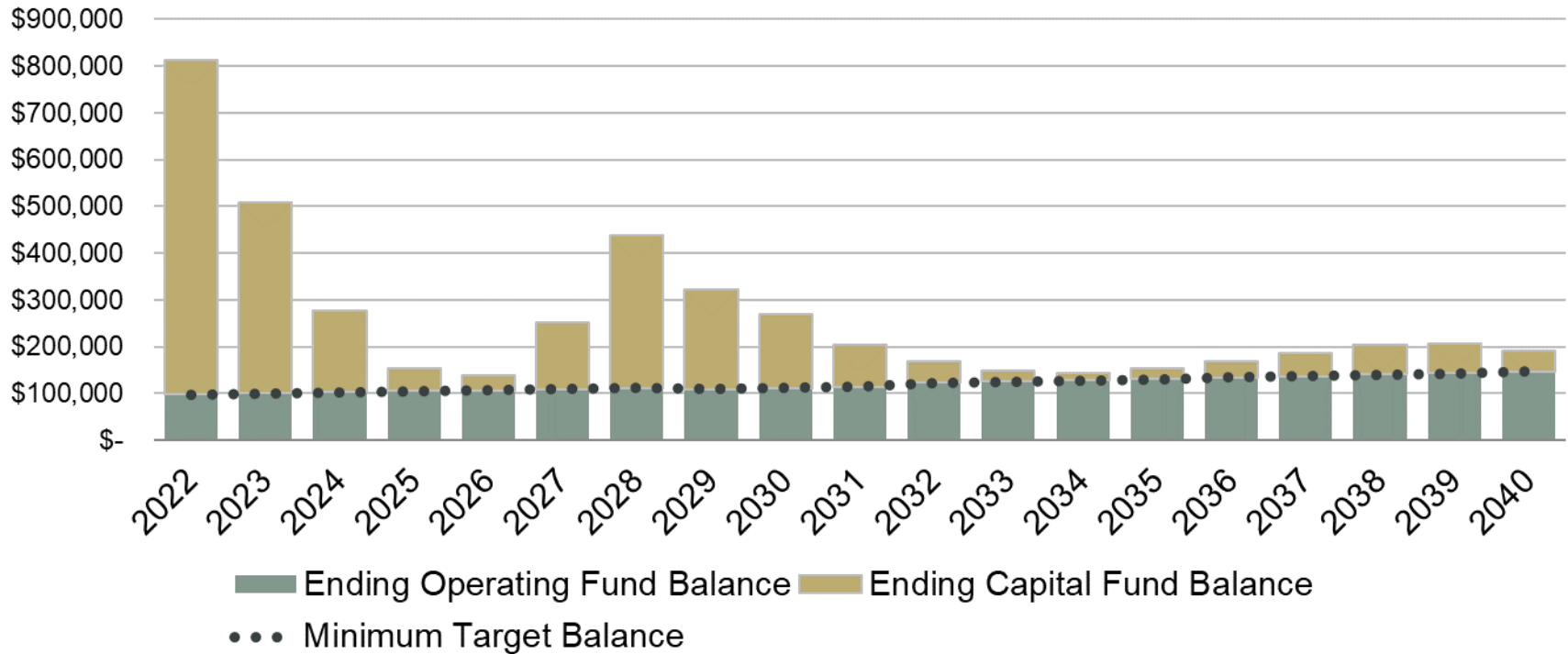
## Capital Needs Forecast: GSD Leaves in FY 29



- **Major repair and replacement estimates starts at \$475,000 per year in FY 2022-23**
- **WWTP project in FY 2021-22 for \$353,000**



# Fund Balances: GSD Leaves in FY 29





# Rate Schedule: GSD Leaves in FY 29

Across-the-Board Rate Schedule	Existing 2021	ATB 2022	ATB 2023	ATB 2024	ATB 2025	ATB 2026
<b>Annual System-Wide Rate Increase</b>		<b>15.00%</b>	<b>14.00%</b>	<b>14.00%</b>	<b>14.00%</b>	<b>14.00%</b>
Base Rate per EDU	\$33.00	\$37.95	\$43.26	\$49.32	\$56.22	\$64.10
Usage Rate per thousand gallons	\$3.50	\$4.03	\$4.59	\$5.23	\$5.96	\$6.80

Note: Assumes an annual implementation date of September 1.

“Across-the-Board” (ATB) means that all stated rates increase by the same percentage (both the fixed and volume charges), which maintains the existing rate structure.



# Agenda

- Water utility revenue requirement
- Sewer utility revenue requirement
  - » Scenario 1: Baseline
  - » Scenario 2: GSD leaves in FY 2028-29
- **Utility rates comparison**



# Water and Sewer Rates Comparison

**Assumes a single-family home with 5,000 gallons of usage**

	Water		Sewer		Total	
Gleneden Beach	\$	40.00	\$	110.00	\$	150.00
Waldport		54.93		73.15		128.08
<b>Depoe Bay (Proposed)</b>		53.51		42.34		95.85
Cannon Beach		42.03		45.28		87.31
<b>Depoe Bay (Existing)</b>		50.00		36.50		86.50
Garibaldi		27.25		50.00		77.25



# Next Steps

- **Council consideration and direction**
  - » Water rate action
  - » Sewer rate action
    - Preferred scenario
- **Rate increases assumed to take effect on September 1**
- **System development charge analysis results**



# Thank you!

## Questions?

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# Background Slides

- **GSD splits all costs by EDU**
- GSD splits all costs by flow



## Key Assumptions: GSD splits all costs by EDU

### Annual Cost Inflation

- General costs: 1.73%
- Construction costs: 2.68%
- Labor costs: 1.65%
- Benefits costs: 3.17%

### Annual Customer Growth Rate

- 1.41% per year (based on PSU population projections)

### Financial Policies

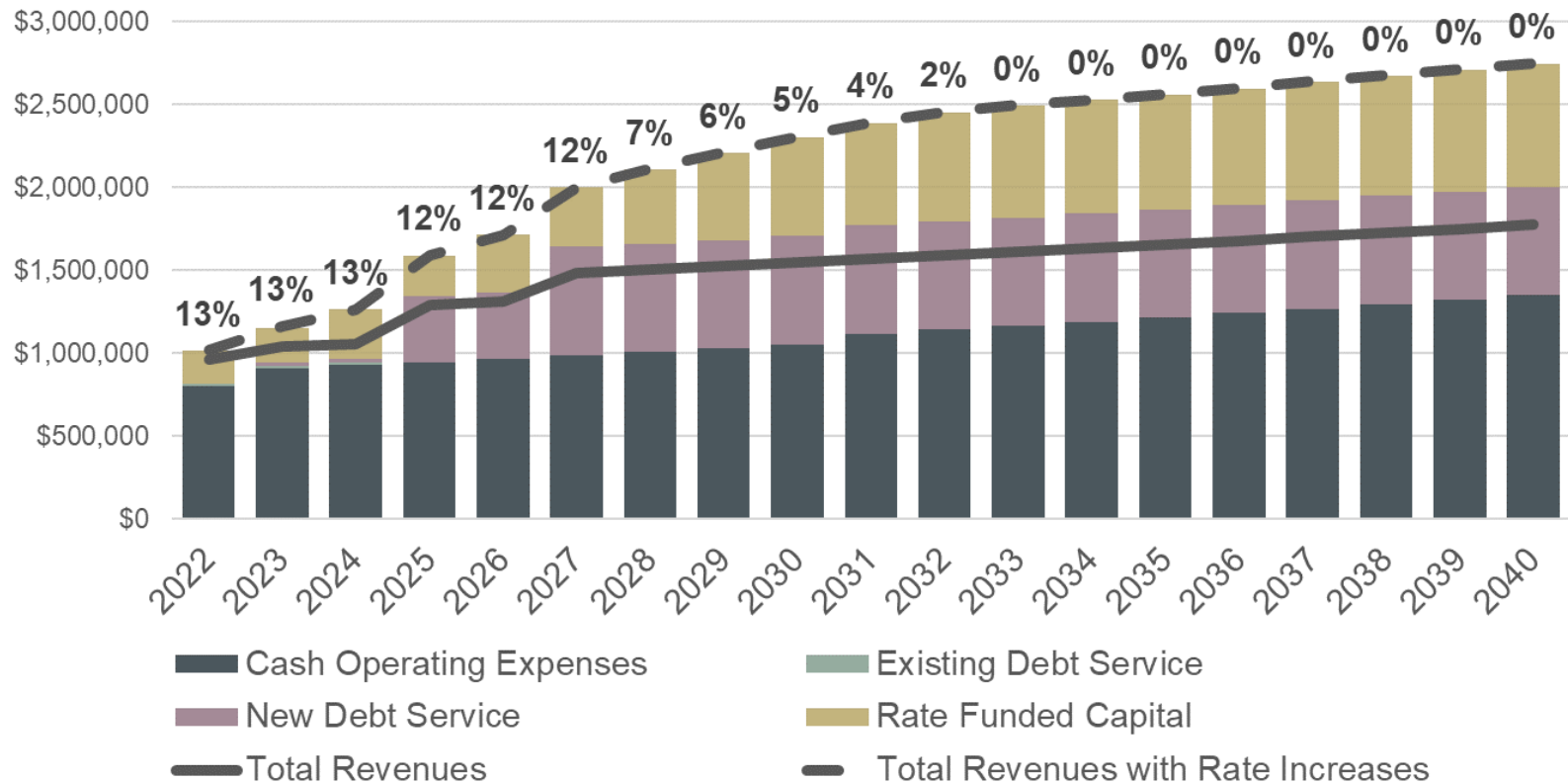
- Min. Fund Balance Target: 45 days of O&M

### Operating Forecast

- Gleneden Sewer District (GSD) pays 58.00% of **all costs**
- New treatment plant operator (additional \$90,000 per year) needed starting in FY 2022-23
- Rate revenue based on the FY 2021-22 budget, escalated by the anticipated customer growth
- Operating costs and non-rate revenues based on FY 2021-22 budget, adjusted for inflation in future years



## Revenue Requirement Forecast: GSD splits all costs by EDU



- **Rate increases are needed primarily to keep up with the debt service needed to fund capital projects**
- **GSD revenues increase to help pay for capital projects**
- **System development charge revenue expected to decrease**



## Rate Schedule: GSD splits all costs by EDU

Across-the-Board Rate Schedule	Existing 2021	ATB 2022	ATB 2023	ATB 2024	ATB 2025	ATB 2026
<b>Annual System-Wide Rate Increase</b>		<b>13.00%</b>	<b>13.00%</b>	<b>13.00%</b>	<b>12.00%</b>	<b>12.00%</b>
Base Rate per EDU	\$33.00	\$37.29	\$42.14	\$47.62	\$53.33	\$59.73
Usage Rate per thousand gallons	\$3.50	\$3.96	\$4.47	\$5.05	\$5.66	\$6.33

Note: Assumes an annual implementation date of September 1.

“Across-the-Board” (ATB) means that all stated rates increase by the same percentage (both the fixed and volume charges), which maintains the existing rate structure.



# Background Slides

- GSD splits all costs by EDU
- **GSD splits all costs by flow**



## Key Assumptions: GSD splits all costs by flow

### Annual Cost Inflation

- General costs: 1.73%
- Construction costs: 2.68%
- Labor costs: 1.65%
- Benefits costs: 3.17%

### Annual Customer Growth Rate

- 1.41% per year (based on PSU population projections)

### Financial Policies

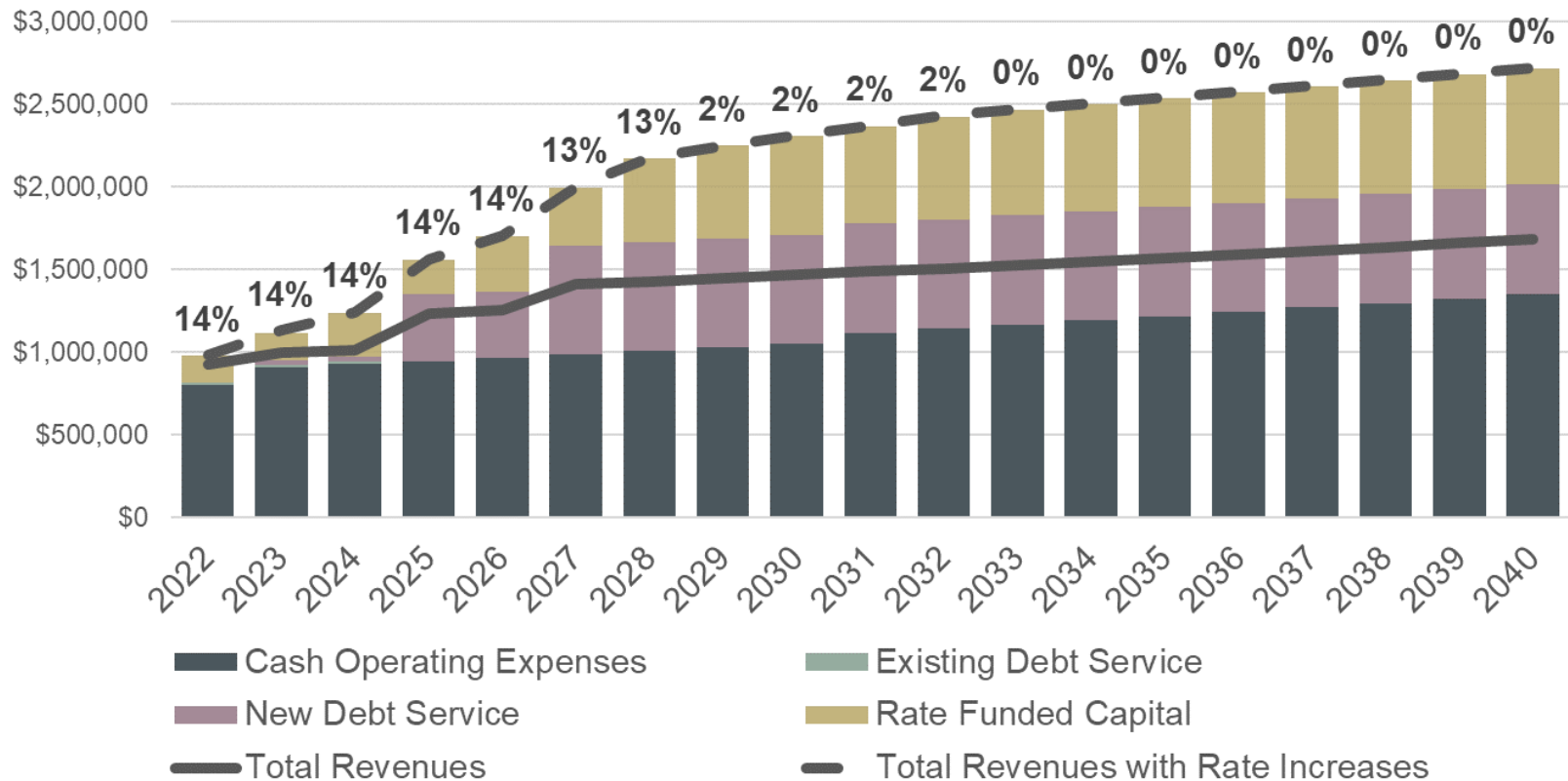
- Min. Fund Balance Target: 45 days of O&M

### Operating Forecast

- Gleneden Sewer District (GSD) pays 53.5% (**their percentage of annual dry weather flow**) of all costs
- New treatment plant operator (additional \$90,000 per year) needed starting in FY 2022-23
- Rate revenue based on the FY 2021-22 budget, escalated by the anticipated customer growth
- Operating costs and non-rate revenues based on FY 2021-22 budget, adjusted for inflation in future years
- System development charge revenues *assumed to decrease*



## Revenue Requirement Forecast: GSD splits all costs by flow



- **Rate increases are needed primarily to keep up with the debt service needed to fund capital projects**
- **GSD revenues increase to help pay for capital projects**





## Rate Schedule: GSD splits all costs by flow

Across-the-Board Rate Schedule	Existing 2021	ATB 2022	ATB 2023	ATB 2024	ATB 2025	ATB 2026
<b>Annual System-Wide Rate Increase</b>		<b>14.00%</b>	<b>14.00%</b>	<b>14.00%</b>	<b>14.00%</b>	<b>14.00%</b>
Base Rate per EDU	\$33.00	\$37.62	\$42.89	\$48.89	\$55.74	\$63.54
Usage Rate per thousand gallons	\$3.50	\$3.99	\$4.55	\$5.19	\$5.91	\$6.74

Note: Assumes an annual implementation date of September 1.

“Across-the-Board” (ATB) means that all stated rates increase by the same percentage (both the fixed and volume charges), which maintains the existing rate structure.