

MEMORANDUM

TO: STEVE GIESBRECHT, BOROUGH MANAGER
FROM: KARL HAGERMAN, UTILITY DIRECTOR 
SUBJECT: WATER, WASTEWATER AND SANITATION RATE STUDY AWARD
DATE: 8/2/2019
CC: DEBBIE THOMPSON, BOROUGH CLERK
CHRIS COTTA, PUBLIC WORKS DIRECTOR

Attached to this memo is a proposal from FCS Group to conduct rate studies for the Water, Wastewater and Sanitation departments. This firm performed the rate studies for these departments in 2012 and did an excellent job at that time. Having worked with the Borough in the past, they know what data we have readily available and their expertise in assembling their analysis and presenting it in a clear and easily understandable format is a known commodity.

The scope of work is clear in the proposal, but to summarize it for the Assembly, the work will include a data collection phase whereby the Borough will provide financial data, customer class and usage data, existing rate structures, capital improvement plans and projections on customer base and usage for all three of the utilities. The Consultant will take this information and develop projections of revenue requirements to meet the capital improvement plans and operational expenses over the study period (5 years). The final result will be a recommendation for rate adjustments required to achieve projected revenue requirements in order to fund the operations and projects of the utilities. The final recommendations will be presented to the Assembly.

The consultant provided the proposal and cost estimate in February 2019, but they are willing to honor their estimate at this time. The schedule will involve an expedited analysis of the water and wastewater department's rates with the goal of providing potential rate adjustment recommendations to the Assembly and public in late September – right before the local election when the debt authorization for water and wastewater may be on the ballot. The Consultant will also be working on the sanitation study, but the primary focus for those results will be to deliver them after the new year and for consideration during the FY21 budget preparation process.

I recommend awarding a contract to FCS Group of Redmond Washington for an amount not-to-exceed \$39,695. The costs of the contract will be split evenly between Water, Wastewater and Sanitation departments and has been budgeted in this fiscal year. Optional tasks offered by FCS Group, including Cost of Service Analysis and Rate Design are not included in this contract.

Please let me know if there are any questions. Thank you.