

# HEBER PUBLIC UTILITY DISTRICT

## REPORT TO BOARD OF DIRECTORS

**MEETING DATE:** December 15, 2022

**FROM:** Laura Fischer, General Manager

**SUBJECT:** Authorize the General Manager to Solicit Proposals for a Water and Sewer Rate Study

**ISSUE:**

Shall the Board of Directors authorize the General Manager to solicit proposals for a water and sewer rate study?

**GENERAL MANAGER'S RECOMMENDATION:**

It is recommended that the Board of Directors authorize the General Manager to solicit proposals for professional services to prepare a water and sewer rate study.

**FISCAL IMPACT:**

HPUD staff will apply for technical assistance from Rural Community Assistance Corporation. If successful the cost to complete the rate study should be minimal. If that assistance is not available the following cost and adjustments will need to be made.

It will cost approximately \$500 to advertise the Request for Proposal for preparing a water and sewer rate study. We anticipate the cost to complete the rate study to be about \$30,000.

Should the grant for technical assistance not be accepted, the solicitation of proposals should be approved with a budget for the rate study included in the FY 2023-24 budget.

**BACKGROUND:**

The previous water and sewer rate increase was approved 2016 and was for five years through 2021. This Fiscal Year 2022-23, HPUD did not implement a rate increase for either water or sewer.

Since the last rate increase, there have been major changes to the sewer program, including the ongoing maintenance cost increase due to the aerator system, manholes, and SCADA system. HPUD staff has identified a large improvement project that must be completed at the sewer plant to maintain compliance and lower maintenance costs. The current estimate for the repairs is \$5,971,500, but that may change with current conditions. This is the number one priority for major projects at the District. Our engineers are working to put together a project description and searching for funding opportunities. This project will require a loan, hopefully a loan/grant combination, to complete and the current revenues will not cover an increase in debt payment.

There have also been major issues with the water treatment plant, including upgrades to the SCADA system, backwash pumps station, flow meter, Chemical Pump, THM

striping system, and the installation of a meter at the IID gate. The District must make major improvements to the water treatment plant operations, plant functions and processes. The current cost estimate for these repairs is \$1,441,574, which doesn't include the meter at the gate. This will require a loan and possibly a loan/grant combination, but the water fund cannot sustain an increase in debt payment without a rate increase.

The intent of the water and sewer rate study is to independently assess and evaluate the District's existing rates and capacity fees, and establish a sustainable rate structure that will adequately fund water and sewer operations, capital improvements, and debt service costs.

The consultant is required to ensure that the District is compliant with Proposition 218. Proposition 218 established a set of procedures and requirements that local government must follow to levy a property-based assessment fee. Once the study is completed, the recommended rates will come back to the Board for adoption.

**DISCUSSION:**

Staff will reach out to possible non-profits or industry organizations that provide technical assistance. Failing that staff will develop a Request for Proposal to evaluate the District's water and sewer rates and develop a Proposition 218-compliant and sustainable rate structure. A panel comprised of the Finance Manager, Office Manager and General Manager will review the responses and will recommend the firm that demonstrates the best understanding of the project scope, and that will complete the job tasks at the least costs.

Once staff has determined the most advantageous consultant, they will bring that before the Board of Directors for approval.

**CONCLUSION:**

The District must implement improvements at both the water and sewer plants to continue to comply with state and Federal mandates. The District needs a new rate structure to generate revenue to meet the expenses to improve, repair and maintain the District's water and sewer systems. There are no in-house staff resources to perform the necessary analysis for the rate review and carry out the Prop 218 process.

**ALTERNATIVES:**

There is no reasonable alternative. If the District takes no action, we would not be able to conduct a water and sewer rate study, and rates would be held at the current level, and there would be insufficient funds to improve, repair and maintain the Districts water and sewer systems.

Respectfully Submitted,

Laura Fischer,  
General Manager