



**Lewiston City Council
SPECIAL MEETING
BUDGET SESSION #2 AGENDA
June 9, 2025 - 3:00 PM
Bell Building – Second Floor Conference Room – 215 D Street
Lewiston, Idaho 83501**

Seating will be available on a first-come, first-served basis. All others who wish to observe this meeting may watch and listen to the livestream on their own device(s) by visiting the City of Lewiston's website at cityoflewiston.org.

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. CITIZENS COMMENTS

This is an opportunity for individuals wishing to comment on agenda items or other matters they wish to bring to the Council's attention, excluding those scheduled for a public hearing. As there may not be another opportunity to comment once an agenda item is addressed, individuals are encouraged to speak at this time. Individuals are encouraged to discuss operational issues in advance with the Mayor. In consideration of others wishing to speak, commentary is limited to three (3) minutes.

IV. BUDGET ITEMS

A. CAPITAL PROJECTS

B. CAPITAL FUND

C. WATER, WASTEWATER, SANITATION

D. UTILITY RATES

V. BUDGET DISCUSSION

This is an opportunity for Councilors to ask questions, have discussions and provide direction to staff related to the fiscal year 2026 budget – Action Item

VI. UNFINISHED AND NEW BUSINESS

A. CITY COUNCILOR COMMENTS: Comments shall not be related to an item currently before the City Council or an item that may come before the City Council in the foreseeable future, and shall be limited to comments, not discussion.

B. MAYOR COMMENTS

VII. ADJOURNMENT - Action Item

The City of Lewiston is committed to providing access and reasonable accommodation in its services, programs, and

activities and encourages qualified persons with disabilities to participate. If you anticipate needing any type of accommodation or have questions about the physical access provided at this meeting, please contact Nikki Province, ADA Coordinator, at least forty-eight (48) hours in advance of the meeting at 208-746-3671 x 6211.



Memo

Prepared for: Lewiston City Council
Mayor Dan Johnson

Prepared by: Dustin Johnson, Public Works Director

Date: May 30, 2025

Subject: **Budget workshop #2 – Capital Project/Utility Rates**

At the second budget workshop city staff will present information regarding Capital projects and utility rates. In preparation for the workshop pertinent documents regarding the specific utilities have been included in the packet for council's review. These documents include:

- The prioritized list of expected Capital projects for each utility and transportation for FY 2026.
- An Equity Buy-In study performed in 2021 that was adopted by council by Resolution 2021-40.
- A Utility Rate Study performed in 2020 that was adopted by council by Resolution 2020-23. This study analyzed rates for water, wastewater, and sanitation.
- An update to the original Utility Rate Study that was presented to Council during the May 2024 work session. This update only included water and wastewater.
- An amendment to the update from the May 2024 work session that removed the water intake project from the water rates.
- An update to the original 2020 Utility Rate Study for sanitation rates performed in 2022.
- The information provided at the public hearing that created the Stormwater Drainage System Utility.

City staff is seeking feedback from Council as to how to further prioritize capital projects and the impact it would have on utility rates and the FY 2026 budget. The City Council will be asked to provide direction as the budgets for the enterprise funds and transportation are developed based on feedback received at this work session.

Capital Projects

Draft Prioritized Projects for Fiscal Year 2026



Capital Projects are improvements to facilities and infrastructure which provide a public benefit. These projects are guided by the Master Plans, studies, etc. adopted by the City Council.

The Public Works Department oversees and programs the capital projects for Transportation (streets, traffic signals, sidewalks, etc.) and the Water, Wastewater, Stormwater Drainage System, and Sanitation utilities.

- Capital Transportation: revenue for these projects consists of Highway Users Fund monies, Property Taxes, and awarded Grant Funding. Due to the nature of some grants as a “use it or lose it” revenue source, project priority may shift to ensure awarded funds are utilized.
- Capital Water and Wastewater: revenue for these projects consists of Grant Funding, Equity Buy-In fees, and the user fees customers see on their monthly utility bill.
- Capital Sanitation and Stormwater: revenue for these projects consists of Grant Funding and the user fees customers see on their monthly utility bill.

For the Enterprise Funds (Water, Wastewater, Stormwater, and Sanitation), static or reduced user fees can result in fewer projects being programmed into the budget.

Reference	Title	Author	Page Count
Presentation	DRAFT Budget #2 Work Session – Capital Projects	Public Works	5 pages

WATER - CAPITAL

PRIO.	PROJECT DESCRIPTION	EST. COST	REVENUE SOURCE*
1	SHORT LIVED ASSET FUNDING	\$500,000	USER FEES
2	ANNUAL PIPELINE REPLACEMENT	\$500,000	USER FEES
3	PRIO. RESERVOIR RECOATING WS-3, WS4	\$1,000,000	USER FEES
4	WTP EMERGING CONTAMINANT UPGRADE	\$1,800,000	GRANT FUNDING
5	MASTER PLAN UPDATE	\$325,000	USER FEES
6	FORKLIFT	\$50,000	USER FEES
7	RATE STUDY UPDATE	\$20,000	USER FEES
8	REPL. #198 WITH 4WD 1-TON SRW UTILITY	\$80,000	USER FEES
TOTAL EST. COST:		\$4,280,000	TOTAL EST. REVENUE: \$4,280,000

***Static or reduced rates can result in fewer projects programmed into the budget.**

WASTEWATER - CAPITAL

PRIO.	PROJECT DESCRIPTION	EST. COST	REVENUE SOURCE*
1	MASTER PLAN UPDATE	\$300,000	USER FEES
2	ANNUAL PIPELINE REPLACEMENT	\$2,000,000	USER FEES
3	COLLECTIONS PRIORITY 2 IMPROVEMENTS	\$1,000,000	USER FEES
4	VACTOR TRUCK	\$622,172	USER FEES
5	SOUTHSHORE PUMP REPLACEMENT	\$130,000	USER FEES
6	MILLIPORE DEIONIZED WATER SYSTEM	\$40,000	USER FEES
7	EFFLUENT HATCHES	\$100,000	USER FEES
8	EFFLUENT CHECK VALVE	\$25,000	USER FEES
9	EASEMENT ROAD INSTALL	\$250,000	USER FEES
10	ADMIN/COLLECTIONS BUILDING	\$5,000,000	USER FEES
11	DUMP TRAILER	\$15,000	USER FEES
12	ASPHALT SOUTHSHORE	\$50,000	USER FEES
13	DIGESTER 3 LID DESIGN	\$50,00	USER FEES
TOTAL EST. COST:		\$9,582,172	TOTAL EST. REVENUE: \$9,582,172

*Static or reduced rates can result in fewer projects programmed into the budget.

SANITATION - CAPITAL

PRIO.	PROJECT DESCRIPTION	EST. COST	REVENUE SOURCE*
1	TRANSFER STATION FLOOR DESIGN	\$150,000.00	USER FEES
TOTAL EST. COST:		\$150,000.00	TOTAL EST. REVENUE: \$150,000.00

***Static or reduced rates can result in fewer projects programmed into the budget.**

STORMWATER - CAPITAL

PRIO.	PROJECT DESCRIPTION	EST. COST	REVENUE SOURCE*
1	21ST STREET MAINLINE FAILURE DESIGN	\$90,000	USER FEES
2	14TH STREET & 12TH AVE DESIGN	\$125,000	USER FEES
3	DECANT FACILITY PROPERTY ACQUISITION	\$125,000	USER FEES
4	SOUTH NEZ PERCE GRADE POND DESIGN	\$120,000	USER FEES
5	1423 POWERS AVE POND DESIGN & CONST.	\$100,000	USER FEES
6	ORCHARDS DESIGN STUDY	\$100,000	USER FEES
7	SERVICE AREA 2 MASTER PLAN STUDY	\$20,000	USER FEES
TOTAL EST. COST:		\$680,000	TOTAL EST. REVENUE: \$680,000

***Static or reduced rates can result in fewer projects programmed into the budget.**

TRANSPORTATION - CAPITAL

PRIO.	PROJECT DESCRIPTION	EST. COST	REVENUE SOURCE*
1	ANNUAL STREET PRESERVATION	\$1,221,930.00	HWY USER & PROP TX FUND
2	SNAKE RIVER AVE TO SOUTHWAY (KN 13443)	\$1,500,000.00	GRANT FUNDING
3	TRAFFIC INFRASTRUCTURE IMP.	\$50,000.00	PROPOSED PROPERTY TAX
4	SIGNAL LIGHT COMPONENT UPGRADES	\$50,000.00	PROPOSED PROPERTY TAX
5	BRYDEN OVERLAY - WEST	\$4,000,000.00	GRANT FUNDING (2M), PROP TAX, & ARTERIAL IMP. FUND
6	BURRELL AVE S/W; THAIN-14TH (KN 24379)	\$492,000.00	GRANT FUNDING & FILO
7	8TH STREET BIKE/PED IMP. (KN 24680)	\$76,000.00	GRANT FUNDING & FILO
8	THAIN/PRESTON; 10TH, WARNER CORRIDOR DESIGN	\$500,000.00	ARTERIAL IMP. FUND
9	SIDEWALK MASTER PLAN	\$250,000.00	PROP TAX & ARTERIAL IMP. FUND
TOTAL EST. COST:		\$10,639,930.00	TOTAL EST. REVENUE: \$10.6M
A	SOUTHWAY BRIDGE	TBD	ARTERIAL IMP. FUND
B	MAIN STREET - DESIGN & PHASE 1	TBD	ARTERIAL IMP. FUND
C	WILD DOVE WAY CUL-DE-SAC	TBD	TBD

Equity Buy-In Fees



An Equity Buy-in (EBI) fee is a one-time charge assessed to new customers who wish to connect to a public utility system.

- EBI fees only apply to the City’s water and wastewater systems. All EBI fees collected are deposited in a specific revenue account to be used only for the replacement of the capacity of the water and wastewater systems and not for any other use.
- In October 2021, the City Council adopted the “City of Lewiston Equity Buy-In Fee Study” (Resolution 2021-40) which made recommendations for both water and wastewater for Fiscal Years 2021 to 2026.
- The study made recommendations for annual increases to bring Lewiston’s EBI fees in line with other Idaho communities of similar size. Each year, the City Council has followed the study recommendations and increased the EBI fees; 2026 is the final year of the study’s 5-year recommendations.

Reference	Title	Author	Page Count
Res. 2021-40	City of Lewiston Equity Buy-In Study	FCS Group	13 pages

RESOLUTION 2021-40

A RESOLUTION APPROVING THE "CITY OF LEWISTON EQUITY BUY-IN FEE STUDY" AUTHORED BY FCS GROUP AND DATED OCTOBER 2021

BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF LEWISTON, IDAHO, THAT:

SECTION 1: The "City of Lewiston Equity Buy-In Fee Study" authored by FCS Group and dated October 2021 is hereby approved. A copy of said Equity Buy-In Fee Study is attached hereto and incorporated herein as Exhibit A.

SECTION 2: This resolution shall become effective upon its passage.

PASSED this 8th day of November 2021.



CITY OF LEWISTON

By: _____

Michael G. Collins, Mayor

ATTEST: _____

Kari J. Ravencroft, City Clerk

EXHIBIT A
to
Resolution 2021-23

City of Lewiston

EQUITY BUY-IN FEE STUDY

FINAL REPORT
October 2021

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FCS GROUP
Solutions-Oriented Consulting

October 2021

Dustin Johnson, Public Works Director
City of Lewiston
215 D Street
Lewiston, ID 83501

Subject: Equity Buy-In Fee Study

Dear Mr. Johnson:

FCS GROUP is pleased to submit this report summarizing the results of the Equity Buy-In Fee Study. This report sets forth and summarizes the methodology, assumptions, analysis, and findings of the Study process that occurred between December 2020 and October 2021.

The Study was a collaborative effort among FCS GROUP staff and City staff. Wyatt Zimbelman, John Ghilarducci, and I wish to express our appreciation for the friendly cooperation and assistance of all those who provided the information and review necessary to successfully complete the study.

It has been a pleasure to work with you and other City of Lewiston staff on this effort. Please let me know if you have any questions or need additional information on this report. I can be reached at (425) 361-0391.

Yours very truly,



Andy Baker
Project Manager



John Ghilarducci
Principal

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INTRODUCTION

In December 2020, the City of Lewiston (City) contracted with FCS GROUP to complete an equity buy-in fee study for the City's water and wastewater utilities. Equity buy-in (EBI) fees are one-time charges on new or expanded connections to the system that recover a proportionate share of the cost of system assets. Regular updates to EBIs promote equity between existing customers and growth, ensuring that new connections to the system bear an equitable share of the cost of system infrastructure. The study provides recommendations for the charge basis and approach based on the current legal framework for EBIs in Idaho. The study also provides a framework for updating the analysis in the future as conditions change.

The methodology, key factors, conclusions, and recommendations of the study are summarized in this report.

METHODOLOGY

The methodology used to calculate the EBIs is based on Idaho Supreme Court decisions in *Loomis v. City of Hailey* (1991) and *North Idaho Building Contractors Association v. City of Hayden* (2015).

Exhibit 1 summarizes the EBI calculation methodology.

Exhibit 1: Equity Buy-In Fee Calculation Methodology

Equity Buy-In Fee Calculation	
	Gross Present Day Replacement Value of System
Less:	Debt Principal Outstanding
Less:	Unfunded Depreciation
=	Net System Replacement Value for the Current Year
÷	Number of Users Current System Can Support
=	Total EBI per Equivalent Unit

The court has held that the EBI must be based on the cost of replacing the infrastructure that is in the ground today. The EBI should represent the cost of the portion of system capacity that the new user will utilize at the time of connection. More specifically, the steps used to calculate the total EBI per equivalent unit include:

- 1.) Determine the gross present day replacement value of the system.
- 2.) Subtract applicable debt principal and unfunded depreciation to determine the net replacement value of the system.
- 3.) Divide net system replacement value by the number of users the system can support.

The result of this calculation represents the value of the portion of the system capacity that a new user will utilize at that the time of connection.

SYSTEM REPLACEMENT VALUE

GROSS PRESENT DAY REPLACEMENT VALUE

Gross present day replacement value is determined by identifying all existing facilities used to provide water and wastewater service to customers as of Fiscal Year 2020. Important considerations for this part of the calculation include:

- ***Validating fixed asset data.*** The City's existing asset records provide the installation year and original cost of each utility asset. Assets that may not be appropriate to include in the EBI calculation, such as office equipment and vehicles, are excluded from the system value. Construction in progress is also excluded from the calculation.
- ***Determining "replacement cost" of assets.*** The Engineering News Record Construction Cost Index (ENR CCI) is used to determine the replacement cost of each fixed asset. The difference between the 2020 average ENR and the ENR in the installation year of each asset determines the multiplier applied to the original cost of that asset, ultimately deriving the replacement cost.

As part of the asset validation process, an alternative approach to determining replacement value was considered. Insurance records for the City's major utility facilities (i.e., pump stations, reservoirs, and treatment facilities) were reviewed to identify the replacement value of those facilities. For assets not included in the insurance records, such as distribution and collection pipes, replacement costs were calculated by applying unit cost estimates to system information from the City's system planning documents. Ultimately, the system values produced by this alternative approach were similar to the replacement values calculated using original cost and ENR. Because the ENR approach is more administratively maintainable, as well as being directly linked to the City's accounting records, it was selected as the basis of the replacement value calculation.

The resulting gross replacement value of the water system is \$85.6 million. Because the wastewater utility charges separate EBIs for wastewater treatment and collection, wastewater assets are divided based on City records of the function of each asset. The total wastewater utility gross replacement value is \$99.5 million, of which \$41.1 million is related to collection and \$58.4 million is related to treatment.

DEBT PRINCIPAL

The court-directed methodology includes a deduction for debt principal. Debt service is paid for through user fees and is therefore deducted from the system replacement values so that it is not double charged – once in rates and once in the EBI.

Both utilities have recently began making draws on loans secured from the Idaho Department of Environmental Quality. However, because the projects associated with these loans have not yet been completed they are included in the City's fixed asset records as construction in progress. Because the debt-funded assets are not included in the gross system replacement values, there is no need to make a deduction for related debt principal at this time. In future EBI calculations, once the DEQ loan-funded projects are complete and the assets are included in the gross replacement values, a deduction must be made for the outstanding principal on the loans.

UNFUNDED DEPRECIATION

The court-directed approach includes a deduction for unfunded depreciation. However, the court has not prescribed a specific definition for unfunded depreciation. If depreciation has been consistently included in the annual revenue requirement for the purpose of utility rate-setting, it may be appropriate to recover the full replacement value of existing assets without making an adjustment for unfunded depreciation.

To evaluate whether each utility's depreciation has been funded, the City's financial history must show that the annual revenue of the utility has exceeded all operating costs, including annual depreciation. Whether the positive operating margin means depreciation has been routinely "funded" or "unfunded" would depend on whether such a margin was:

- a) normal, and
- b) resulted in the annual reinvestment in assets in service exceeding the depreciation expense.

Analysis of the City's financial history from the last five years (2015-2019) indicates that while both utilities have maintained a positive operating margin, annual investment in assets in service has not always exceeded depreciation. The City's financial history shows a trend of improving funding of depreciation, but until both tests are passed for all years evaluated, we recommend continuing to make the full deduction of depreciation in assessing the net system replacement value.

Based on the City's 2020 comprehensive annual financial report, original cost accumulated depreciation totals \$17.4 million for the water system and \$21.8 million for the wastewater system. Depreciation for the wastewater utility is divided among collection and treatment based on the gross replacement value of each function.

NET PRESENT DAY REPLACEMENT VALUE

Exhibit 2 summarizes the net present day system replacement value of each utility by deducting original cost accumulated depreciation from gross replacement value. Net present day system replacement value is calculated at \$68.2 million for water, \$32.1 million for wastewater collection, and \$45.6 million for wastewater treatment.

Exhibit 2: Net Present Day Replacement Value Calculation

System Replacement Value	Water	WW Collection	WW Treatment
Gross System Replacement Value	\$ 85,557,309	\$ 41,098,173	\$ 58,383,545
Less: Dept Principal on Assets in Service	-	-	-
Less: Unfunded Depreciation	(17,369,546)	(9,024,603)	(12,820,238)
Net System Replacement Value	\$ 68,187,763	\$ 32,073,569	\$ 45,563,307

As of the date of this study, the City has SRF loans for both its water and wastewater systems. However, as stated previously, the assets funded through these loans are not yet in service, and are not included in the System Replacement Value shown in **Exhibit 2**. In future years, when those assets are placed in service, outstanding debt principal should be deducted to calculate the Net System Replacement Value.

SYSTEM CAPACITY

A key component of the EBI calculation is determining the number of users that each system can support. This capacity is the denominator used in the EBI calculation to determine the unit cost of capacity that will be charged to new connections.

WATER SYSTEM CAPACITY

Based on discussions with City staff, it was determined that the City's water supply capacity is the limiting constraint on the number of users that the City's water system can support. Table 6-2 of the 2019 Lewiston Water System Facility Plan (WSFP) provides a maximum day firm water supply capacity of 17.21 million gallons per day (MGD). Based on Section 4 of the WSFP, a 20 percent reduction in supply capacity is made to account for water loss due to leaking infrastructure. This leaves a maximum day supply capacity that is available to serve customers of 13.77 MGD.

This capacity is then converted to equivalent dwelling units (EDUs), a method of representing water use by non-residential customers as an equivalent number of residential customers. Table 5-4 of the WSFP indicates that an average residential connection in the city uses 338 gallons of water per day. Applying the City's maximum day to average day peaking factor of 2.38, provided in Table 5-7 of the WSFP, an average residential connection has a maximum day demand of 804 gpd. This value, 804 gpd, constitutes one maximum day EDU. Dividing the City's maximum day supply capacity of 13.77 MGD by the 804 gpd maximum day EDU value results in a system capacity of 17,122 EDUs.

The City charges water EBIs to commercial customers on a meter capacity equivalent (MCE) basis. MCEs apply weighting factors to meter sizes above the smallest meter to define the customer base relative to the flow capacity of the smallest metered customer. This process reflects the potential capacity available to each user, and charging EBIs on an MCE basis makes it easy to understand and administer the charges.

Because EDUs are not directly equal to MCEs, the demand behavior of the City's existing customers was used to derive the system capacity in terms of MCEs. Based on the City's 2020 Utility Rate Study Report, the total number of MCEs (as of the 2018 customer billing dataset) was 9,719 MCEs. Total water use in 2018 was divided by the average day demand per ERU value of 338 gpd to calculate 8,624 EDUs. Dividing 9,719 MCEs by 8,624 EDUs produces an MCE:EDU ratio of 1.13:1. Applying this ratio to the EDU capacity results in a water supply capacity of 19,297 MCEs.

Exhibit 3 summarizes the water system capacity calculation.

Exhibit 3: Water System Capacity Calculation

Water System Capacity	
Subscribable Maximum Day Water Supply Capacity	13.77 MGD
Maximum Day Demand per EDU	804 gpd
System Capacity in EDUs	17,122 EDUs
MCE:EDU Ratio	1.13:1
System Capacity in MCEs	19,297 MCEs

WASTEWATER SYSTEM CAPACITY

Based on discussions with City staff, it was determined that the City's wastewater treatment plant is the limiting factor for the number of connections that can be provided. Chapter 5 of the 2018 Lewiston Wastewater System Master Plan (WSMP) indicates that the treatment plant has a design capacity of 5.71 MGD. Idaho DEQ requires that a permittee expand its treatment capacity when a treatment works reaches 85% of its permitted capacity. On that basis, the total subscribable capacity before beginning future investment is 4.85 MGD. Based on discussions with City staff, it was determined that the average day demand per EDU for the City's wastewater utility is 262 gpd. Dividing the 4.85 MGD in effective capacity by the 262 gpd EDU value results in a wastewater treatment capacity of 18,525 EDUs.

As with the water utility, the City charges wastewater EBIs to commercial customers on an MCE basis. The City's 2018 wastewater customer data, organized by meter size, was used to determine the number of MCEs in the existing customer base: 8,836 MCEs. Total water use for wastewater customers in 2018 was divided by the average day demand ERU value of 262 gpd to calculate 10,078 EDUs. Dividing 8,836 MCEs by 10,078 EDUs produces an MCE:EDU ratio of 0.88:1. Applying this ratio to the EDU capacity results in a wastewater treatment capacity of 16,242 MCEs.

Exhibit 4 summarizes the wastewater system capacity calculation.

Exhibit 4: Wastewater System Capacity Calculation

Wastewater System Capacity	
Lewiston WWTP Average Day Demand Design Capacity (85%)	4.85 MGD
Average Day Demand per EDU	262 gpd
System Capacity in EDUs	18,525 EDUs
MCE:EDU Ratio	0.88:1
System Capacity in MCEs	16,242 MCEs

EBI CALCULATION

WATER EBI CALCULATION

Dividing the net present day replacement value of the water utility by the system capacity results in a maximum EBI per MCE of \$3,534. **Exhibit 5** summarizes the water EBI calculation.

Exhibit 5: Water EBI Calculation

EBI Calculation	Water
Net System Replacement Value	\$ 68,187,763
System Capacity in MCEs	19,297
EBI per MCE	\$3,534

The calculated EBI represents the charge for 3/4 inch connections and all single family customers, regardless of meter size. The following assumptions were made in determining how to apply the EBI to all other customers.

- The first dwelling unit for a multifamily connection is charged the full single family EBI. Each additional multifamily unit is charged 40 percent of the single family EBI. The City's customer billing records show that, on average, a multifamily dwelling unit uses 40 percent of the water that a single family account uses.
- Duplexes are charged one single family EBI plus one multifamily dwelling unit EBI.
- All commercial customers are charged the 3/4 inch EBI multiplied by the MCE factor corresponding to their water meter.

Exhibit 6 presents the full schedule of calculated water EBIs, along with the City's existing EBIs.

Exhibit 6: Water EBI Schedule

Customer Class & Meter Size	MCE Factor	Existing	Proposed
Single Family	1.00	\$ 1,954	\$ 3,534
Duplex	1.40	2,711	4,947
Multifamily, First Unit	1.00	1,954	3,534
Multifamily, Per Additional Unit	0.40	757	1,413
Commercial			
3/4"	1.00	\$ 1,954	\$ 3,534
1"	1.67	2,879	5,889
1 1/2"	3.33	3,702	11,778
2"	5.33	5,964	18,846
3"	11.67	22,622	41,225
4"	20.00	46,552	70,671
6"	45.00	89,991	159,009
8"	53.33	102,019	188,456
10"	76.67	105,250	270,905

WASTEWATER EBI CALCULATION

Dividing the net present day replacement values of the wastewater collection and treatment systems by the system capacity results in maximum EBIs per MCE of \$1,975 for collection and \$2,805 for treatment. **Exhibit 7** summarizes the wastewater EBI calculation.

Exhibit 7: Wastewater EBI Calculation

EBI Calculation	WW Collection	WW Treatment
Net System Replacement Value	\$ 32,073,569	\$ 45,563,307
System Capacity in MCEs	16,242	16,242
EBI per MCE	\$1,975	\$2,805

The calculated EBIs represent the charges for 3/4 inch connections and all single family customers, regardless of meter size. The following assumptions were made in determining in how to apply the EBI to all other customers.

- The first dwelling unit for a multifamily connection is charged the full single family EBI. Each additional multifamily unit is charged 80 percent of the single family EBI. The City's customer billing records show that, on average, winter water use for a multifamily unit is 80 percent of the use for a single family account. Winter water use is used to estimate sewer flow to avoid including water use that does not enter the sewer system, such as lawn irrigation.
- Duplexes are charged one single family EBI plus one multifamily dwelling unit EBI.
- All commercial customers are charged the 3/4 inch EBI multiplied by the MCE factor corresponding to their water meter.

Exhibit 8 presents the full schedule of calculated wastewater EBIs along with the City's existing EBIs.

Exhibit 8: Wastewater EBI Schedule

Customer Class & Meter Size	MCE Factor	Existing		Proposed	
		Collection	Treatment	Collection	Treatment
Single Family	1.00	\$ 889	\$ 1,597	\$ 1,975	\$ 2,805
Duplex	1.80	1,334	2,295	3,555	5,049
Multifamily, First Unit	1.00	889	1,597	1,975	2,805
Multifamily, Per Additional Unit	0.80	445	799	1,580	2,244
Commercial					
3/4"	1.00	\$ 889	\$ 1,597	\$ 1,975	\$ 2,805
1"	1.67	1,245	2,237	3,291	4,675
1 1/2"	3.33	1,600	2,875	6,582	9,351
2"	5.33	2,579	4,633	10,532	14,961
3"	11.67	9,783	17,575	23,038	32,728
4"	20.00	16,057	37,278	39,494	56,105
6"	45.00	23,926	56,402	88,863	126,237
8"	53.33	35,646	84,039	105,319	149,614

IMPLEMENTATION

The calculated charges are the maximum allowable charges that the City may choose to implement. Adopting charges less than the maximum is a viable option, particularly as part of a multi-year strategy to phase the increases in – however, the City should be aware that this alternative may result in less cash being available for capital purposes. In such a scenario, near-term capital needs may put additional pressure on current ratepayers.

Given the potential burden associated with changing the level of fees abruptly, a 5-year phase-in strategy was developed based on discussion with City staff, with the ultimate level of charges being equal to the maximum allowable charge. Under this approach, and as the City continues to make significant capital investment, it would be appropriate to revisit the level of the maximum allowable charge and the resulting phasing plan every three to five years.

Exhibit 9: Water 5-Year Phase-In Strategy

Customer Class & Meter Size	2021	2022	2023	2024	2025	2026
Single Family	\$ 1,954	\$ 2,270	\$ 2,586	\$ 2,902	\$ 3,218	\$ 3,534
Duplex	2,711	3,158	3,605	4,053	4,500	4,947
Multifamily, First Unit	1,954	2,270	2,586	2,902	3,218	3,534
Multifamily, Per Additional Unit	757	888	1,020	1,151	1,282	1,413
Commercial						
3/4"	\$ 1,954	\$ 2,270	\$ 2,586	\$ 2,902	\$ 3,218	\$ 3,534
1"	2,879	3,481	4,083	4,685	5,287	5,889
1 1/2"	3,702	5,317	6,933	8,548	10,163	11,778
2"	5,964	8,540	11,117	13,693	16,269	18,846
3"	22,622	26,343	30,063	33,784	37,504	41,225
4"	46,552	51,376	56,200	61,023	65,847	70,671
6"	89,991	103,795	117,598	131,402	145,206	159,009
8"	102,019	119,306	136,594	153,881	171,168	188,456
10"	105,250	138,381	171,512	204,643	237,774	270,905

Exhibit 10: Wastewater Collection 5-Year Phase-In Strategy

Customer Class & Meter Size	2021	2022	2023	2024	2025	2026
Single Family	\$ 889	\$ 1,106	\$ 1,323	\$ 1,540	\$ 1,758	\$ 1,975
Duplex	1,334	1,778	2,222	2,666	3,110	3,555
Multifamily, First Unit	889	1,106	1,323	1,540	1,758	1,975
Multifamily, Per Additional Unit	445	672	899	1,126	1,353	1,580
Commercial						
3/4"	\$ 889	\$ 1,106	\$ 1,323	\$ 1,540	\$ 1,758	\$ 1,975
1"	1,245	1,654	2,063	2,473	2,882	3,291
1 1/2"	1,600	2,596	3,593	4,589	5,586	6,582
2"	2,579	4,170	5,760	7,351	8,941	10,532
3"	9,783	12,434	15,085	17,736	20,387	23,038
4"	16,057	20,744	25,432	30,119	34,807	39,494
6"	23,926	36,913	49,901	62,888	75,875	88,863
8"	35,646	49,581	63,515	77,450	91,384	105,319

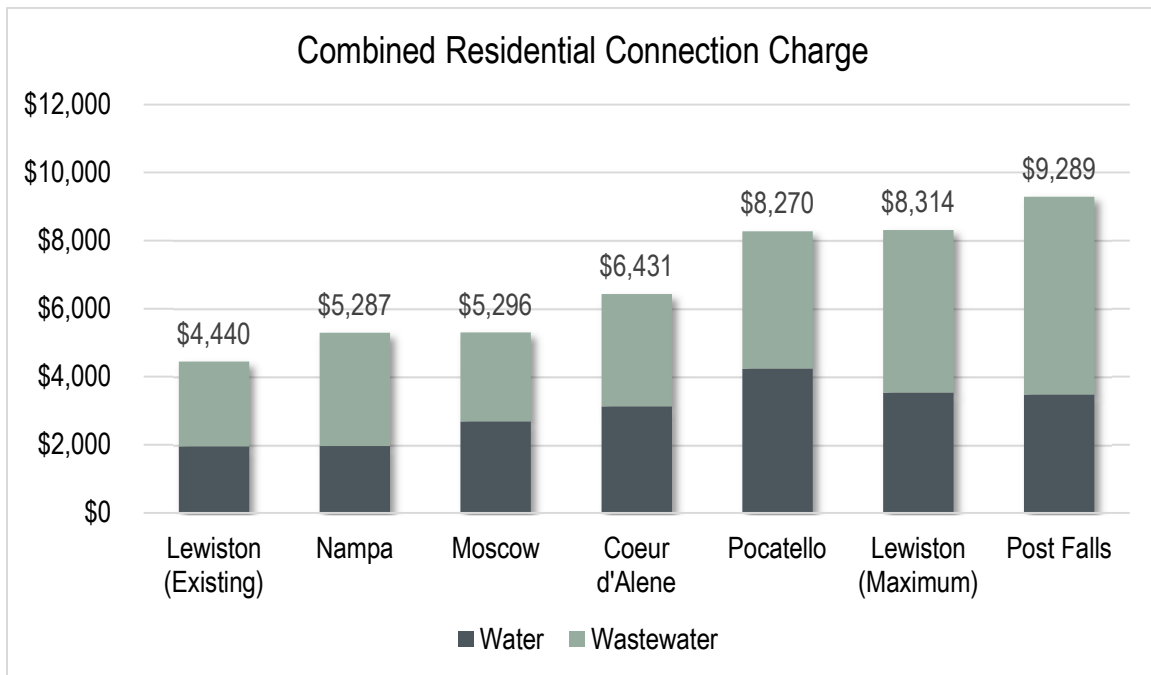
Exhibit 11: Wastewater Treatment 5-Year Phase-In Strategy

Customer Class & Meter Size	2021	2022	2023	2024	2025	2026
Single Family	\$ 1,597	\$ 1,839	\$ 2,080	\$ 2,322	\$ 2,564	\$ 2,805
Duplex	2,295	2,846	3,397	3,948	4,499	5,049
Multifamily, First Unit	1,597	1,839	2,080	2,322	2,564	2,805
Multifamily, Per Additional Unit	799	1,088	1,377	1,666	1,955	2,244
Commercial						
3/4"	\$ 1,597	1,839	2,080	2,322	2,564	2,805
1"	2,237	2,725	3,212	3,700	4,188	4,675
1 1/2"	2,875	4,170	5,465	6,761	8,056	9,351
2"	4,633	6,699	8,764	10,830	12,896	14,961
3"	17,575	20,606	23,636	26,667	29,697	32,728
4"	37,278	41,043	44,809	48,574	52,340	56,105
6"	56,402	70,369	84,336	98,303	112,270	126,237
8"	84,039	97,154	110,269	123,384	136,499	149,614

REGIONAL COMPARISONS

The level of an Equity Buy-In Fee is specific to each utility – as described in this report it is a function of the actual cost to provide capacity, which may frequently differ between jurisdictions due to reasons of water supply, elevation, or treatment requirements. Service area density and economies of scale also frequently cause differences in the cost of providing water and wastewater capacity for new connections. Despite these factors, the cost of new development is an important comparative point between jurisdictions. The combined water and sewer connection charge for a single family residence is presented in **Exhibit 12**, based on currently adopted fees for similar Idaho cities.

Exhibit 12: Regional EBI Survey



RECOMMENDATIONS FOR FUTURE CONSIDERATION

As discussed in preceding sections, the Water and Wastewater EBIs should be updated every three to five years, with a particular emphasis on when major new facilities are brought in to service. When this update is conducted, existing facilities should be brought up to current replacement value, retired assets should be removed from the asset register, and new facilities, as well as any associated debt, should be considered. Additionally, if the new facilities expand the available capacity for new connections, the total subscribable capacity should be updated using the methodology identified herein.

In addition to routine updates, FCS GROUP recommends planning for a comprehensive update when System Plans are updated, so that the EBI Fee will continue to reflect the best available information for EDUs and MCEs.

Further, FCS GROUP recommends that the City continue to track developments statewide to consider water and wastewater impact fees. Such fees would allow for the City to recover the cost of future capacity from new connections, which is excluded from the EBI Fee cost basis.

User Fees

Water, Wastewater, and Sanitation Rate Study (2020)



User fees for water, wastewater, sanitation, and stormwater drainage system services make up a customer's monthly utility bill.

Fees, rates, and charges are based on operation and maintenance cost and the planned Capital Improvements for each utility.

- In October 2020, the City Council adopted the “City of Lewiston Water, Wastewater, and Sanitation Rate Study” (Resolution 2020-23) which made recommendations based on projected inflationary operating cost increases, debt service requirements, and capital requirements.
 - Water: annual rate increases of 5.25% from 2021 to 2034;
 - Wastewater: annual rate increases of 4.25% from 2022 to 2032; and
 - Sanitation: annual rate increase of 3.00% from 2021 to 2024 then 2.5% from 2025 forward.
- Since the study's adoption, inflation has increased at a significantly higher rate than what was projected. Unforeseen expenses, such as the High Reservoir failure, have required the use of reserve funds. Additionally, many of the Capital Projects used in the original rate study have been completed.

Reference	Title	Author	Page Count
Res. 2020-23	Water, Wastewater, and Sanitation Rate Study	FCS Group	44 pages

RESOLUTION 2020-23

A RESOLUTION APPROVING THE “CITY OF LEWISTON WATER, WASTEWATER, AND SANITATION RATE STUDY” AND ESTABLISHING THE CITY OF LEWISTON’S POLICIES FOR SETTING CITY UTILITY RATES

WHEREAS, the Lewiston City Council desires to establish utility rate setting policies for City-owned utilities in order to provide consistent direction over time on which the City’s utilities can rely and plan accordingly;

WHEREAS, the City of Lewiston contracted with FCS Group to perform a utility rate study for the City’s water, wastewater, and sanitation utilities; and

WHEREAS, the utility rate setting policies set forth herein are informed by such study.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF LEWISTON, IDAHO:

SECTION 1: The “City of Lewiston Water, Wastewater, and Sanitation Rate Study” authored by FCS Group and dated August 2020 is hereby approved. A copy of said Rate Study is attached hereto and incorporated herein as Exhibit A.

SECTION 2: The following City enterprise funds shall endeavor to maintain operating fund balances within the following ranges:

Sanitation: 60 to 90 days

Wastewater: 60 to 90 days

Water: 75 to 110 days

SECTION 3: The following City enterprise funds shall endeavor to make the following re-investments on an annual basis:

Sanitation: Cash-fund short-lived assets

Wastewater: Cash-fund short-lived assets

Water: Cash-fund short-lived assets

SECTION 4: The City shall endeavor to maintain a capital fund balance based on master plan replacement targets for Sanitation, Wastewater, and Water.

SECTION 5: The City shall endeavor to maintain a 2.0x debt service coverage for Sanitation, Wastewater, and Water.

SECTION 6: The City shall endeavor to maintain smaller, consistent rate increases as opposed to significant swings in rate increases.

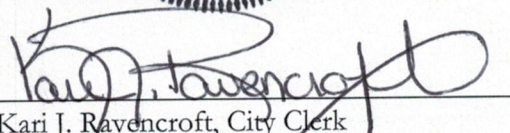
SECTION 7: It is the City's intent to review the costs to provide utility services based upon customer classification and adjust rates to the customer class type in order to reflect the actual cost of service. Costs to provide utility services include, but are not limited to, administrative and internal support functions.

SECTION 8: This Resolution shall become effective upon its passage.

PASSED this 12th day of October 2020.



ATTEST:


Kari J. Ravencroft, City Clerk

CITY OF LEWISTON

By:

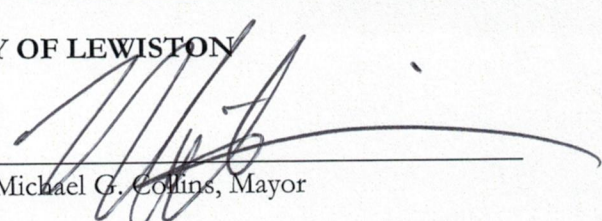

Michael G. Collins, Mayor

EXHIBIT A
to
Resolution 2020-23

City of Lewiston



Water, Wastewater, and Sanitation Rate Study

FINAL REPORT
August 2020

Washington

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Redmond, WA 98052
425.867.1802

Oregon

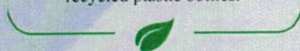
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Section I. EXECUTIVE SUMMARY

The City of Lewiston contracted with FCS GROUP to perform a utility rate study for its water, wastewater, and sanitation utilities. This report details the results of the water and wastewater rate studies.

I.A. REVENUE REQUIREMENT ANALYSIS

The revenue requirement is the amount of revenue that a utility's rates must generate in order to meet its various financial obligations. The financial plans presented in this report contemplate a series of annual rate increases for each utility:

- **Water.** Annual rate increases of 5.25% are proposed from FY 2021 through 2034
- **Wastewater.** Annual rate increases of 4.25% are proposed from FY 2022 through 2032, preceded by a 2.0% increase in FY 2021
- **Sanitation.** Annual rate increases of 3.00% are proposed from FY 2021 to FY 2024 followed by 2.50% annual rate adjustments each year thereafter.

Key drivers behind these increases include:

- **Inflationary Operating Cost Increases.** The City's budgeted annual operating costs are projected to increase at a rate averaging 3.0% per year for the water utility and 3.1% per year for the wastewater utility. These increases are generally attributable to assumed cost inflation. Cost increases to sanitation contracts, particularly contract rates for recycling processing and marketing, are projected at 2.2% from FY 2019 to FY 2024.
- **Debt Service Requirements.** Based on loan agreements with the Idaho Department of Environmental Quality's State Revolving Fund (SRF) loan program, the water and wastewater utilities will be paying an average of \$2.0 million and \$2.1 million in annual debt service, respectively.
- **Capital Requirements.** In addition to the capital funding provided by the SRF loans, both utilities will be making significant annual contributions from rates to pay for capital projects. The water utility will provide an average of \$3.4 million, while the wastewater utility will contribute an average of \$4.9 million per year.

I.B. COST-OF-SERVICE ANALYSIS AND RATE RECOMMENDATIONS

The cost-of-service analysis (COSA) provides the analytical basis for equitably recovering the forecasted revenue requirement from customers. **Exhibit 1.1** summarizes the findings of the water cost-of-service analysis:

Exhibit 1.1: Summary of Water Cost-of-Service Analysis

Class	FY 2021 Revenue Under COS Rates		% of Revenue Under Existing Rates
	Amount ¹	% of Total	
Residential	\$3,744,899	54.3%	53.8%
Multi Family	471,954	6.8%	7.7%
Commercial	584,025	8.5%	10.9%
Large Commercial	972,927	14.1%	15.7%
Irrigation	867,067	12.6%	8.6%
Public Use	125,952	2.2%	1.9%
Hotel/Motel	97,301	1.4%	1.4%
Total	\$6,891,125	100.0%	100.0%

Water Rate Phase-In Schedule	2021	2022	2023	2024	2025
Residential	5.50%	5.50%	5.50%	5.50%	5.50%
Multi Family	2.75%	2.75%	2.75%	2.75%	2.75%
Commercial	0.00%	0.00%	0.00%	0.00%	0.00%
Large Commercial	3.25%	3.25%	3.25%	3.25%	3.25%
Irrigation	14.00%	14.00%	14.00%	14.00%	14.00%
Public Use	8.50%	8.50%	8.50%	8.50%	8.50%
Hotel/Motel	6.25%	6.25%	6.25%	6.25%	6.25%

Exhibit 1.1 indicates that relative to their allocated cost of service, multi family, commercial, and large commercial customers are overpaying while the City's other customers are underpaying. The recommended rate strategy envisions implementing the findings of the cost-of-service analysis over a five-year period through a series of class-specific rate adjustments. Any further rate increases would be applied "across-the-board," or proportionately to all customer classes until the next rate review.

Exhibit 1.2 summarizes the findings of the wastewater cost-of-service analysis:

Exhibit 1.2: Summary of Wastewater Cost-of-Service Analysis

Class	FY 2021 Revenue Under COS Rates		% of Revenue Under Existing Rates
	Amount	% of Total	
Residential	\$2,187,474	34.0%	34.7%
Multi Family	829,057	12.9%	15.6%
Commercial	598,088	9.3%	5.1%
Large Commercial	2,499,805	38.8%	39.4%
Public Use	24,578	0.4%	1.0%
Hotel/Motel	296,098	4.6%	4.2%
Total	\$6,435,100	100.0%	100.0%

Exhibit 1.2 (Continued): Summary of Wastewater Cost-of-Service Analysis

Annual Wastewater Rate Increases	2021	2022	2023	2024	2025
Residential	3.00%	3.00%	3.00%	3.00%	3.00%
Multi Family	-3.00%	0.00%	0.00%	0.00%	0.00%
Commercial	17.00%	17.00%	17.00%	17.00%	17.00%
Large Commercial	6.00%	3.50%	3.50%	3.50%	3.50%
Public Use	-51.50%	0.00%	0.00%	0.00%	0.00%
Hotel/Motel	5.00%	5.00%	5.00%	5.00%	5.00%

Exhibit 1.2 suggests that relative to their allocated cost of service, commercial and hotel/motel customers are underpaying while all other customers are overpaying. The recommended rate strategy envisions implementing the findings of the cost-of-service analysis over a five-year period through a series of class-specific rate adjustments. Any further rate increases would be applied “across-the-board,” or proportionately to all customer classes until the next rate review. Sanitation rate increases are proposed to be applied across the board as well. In addition, we recommend several rate structure revisions:

- **Differentiate water rates between customer classes.** Recognizing that the cost-of-service analysis found meaningful differences in the cost of serving the City’s different customer classes, the proposed water rate structure envisions fixed monthly charges that vary by customer class.
- **Consolidate several wastewater customer classes.** The cost-of-service analysis justified combining a number of wastewater customer classes. Under the proposed rate schedule, home based businesses join the residential class, duplexes join the multi family class, mobile home parks join the commercial class, and schools join city parks to create the public use class.
- **Adopt volume rates for all wastewater customers.** Under the City’s existing rates most customers pay only a fixed monthly charge, with no volume charge for their assumed sewer flow. The proposed schedule includes a fixed monthly charge plus a flow-based volume charge for all customer classes, bringing the City’s wastewater rates in line with industry best practices.

Exhibit 1.3 summarizes the sanitation rate recommendations:

Exhibit 1.3: Summary of Sanitation Rate Recommendations

Annual Sanitation Rate Increases	2021	2022	2023	2024	2025
All Retail Rates	3.00%	3.00%	3.00%	3.00%	2.50%

The proposed financial plan adjusts annual revenues to account for anticipated increases to solid waste contract expenses, upcoming capital improvement projects, and to improve the annual cash flow of the sanitation fund. These adjustments are necessary to meet the minimum reserve balance target for the fund while meeting the projected operating and capital expense needs.

Section II. INTRODUCTION

II.A. BACKGROUND

The City of Lewiston (City) contracted with FCS GROUP to perform a utility rate study for its water, wastewater, and sanitation utilities. This report details the results of the study for all three utilities. The project included the following analytical elements:

- Forecast the total amount of rate revenue needed to cover each utility's capital investment needs, operating costs, debt service, and policy-driven commitments.
- Develop cost-of-service analyses for both utilities, allocating current cost estimates to customer classes based on their relative demands and service characteristics.
- Design rates for each utility that meet the City's revenue stability and customer equity objectives.

Drinking water service within the City of Lewiston is purveyed by two Public Water Systems, the City of Lewiston and the Lewiston Orchards Irrigation District. This study is exclusive to the City of Lewiston Public Water System (PWS ID2350014), which serves approximately half the City population, or roughly 6,000 domestic and irrigation water service connections. The existing facilities of the City's water system include a surface water treatment plant, six groundwater wells, six booster pumping facilities, six storage reservoirs, and approximately 130 miles of transmission and distribution mains.

The City of Lewiston's Wastewater Utility System provides wastewater treatment service to the City of Lewiston and some of the surrounding areas, including receiving flow from two sewer districts: the Lewiston Orchards Sewer District (LOSD) and the Central Orchards Sewer District (COSD), as well as the Nez Perce Tribe. The existing facilities of the City's wastewater system include four lift stations, approximately 82 miles of gravity pipeline, and a wastewater treatment facility providing primary treatment, secondary treatment (activated sludge), and ultraviolet disinfection.

The City provides solid waste collection, transfer, and disposal services to residential and commercial customers. City staff operate the Lewiston transfer station at 560 Down River Road which is open to the public. Collection, hauling, and disposal are provided by contract service providers including Asotin County (disposal) and Sanitary Disposal Inc (collection).

The City's water, wastewater, and sanitation utilities operate as standalone enterprise funds. The City Council establishes rates and charges for the furnishing of these services to cover the full costs of operation, maintenance, and capital improvements of the utilities. The City Council has an existing practice of establishing rates annually. The City's water, wastewater, and sanitation rates for Fiscal Year 2020 were adopted by resolution in Resolutions 2019-34, 2019-39, and 2019-36 respectively.

II.B. PURPOSE OF THE REPORT

The purpose of this report is to document the analyses, findings, and policy decisions that were completed for this project. Specific analyses and results summarized in this report include the following:

- The projection of revenue requirements for the water, wastewater, and sanitation utilities
- The level of future rate increases necessary to fund projected operating and capital needs
- The water and wastewater cost-of-service analyses
- The water and wastewater rate design analyses
- Schedules of proposed water, wastewater, and sanitation rates for FY 2021 through FY 2025

The key assumptions underlying the various projections and analyses prepared in the Rate Study are discussed in this report. Meetings and phone calls were held among City staff and the project team to review assumptions, data used in the study, and the preliminary results and revisions made to the study as a result of these discussions. After review by City staff, the draft revenue requirements analysis, cost-of-service analysis, and proposed water and wastewater rate schedules were presented to the City Council in February, 2020.

II.C. PROJECT APPROACH

The methods used to complete the study are based on analytical principles that are generally accepted and widely followed throughout the utility ratemaking industry – rates and charges should generate sufficient revenue to maintain self-supporting and financially viable utilities. The overall methodological approach used is outlined in the American Water Works Association (AWWA) rate-setting manual, *M1: Principles of Water Rates, Fees, and Charges* and the *Solid Waste Rate Setting and Finance Guide* published by the American Public Works Association (APWA). This approach consists of three major analytical steps, each of which will be discussed in this report: the determination of overall rate revenue requirements, cost-of-service analysis, and rate design.

Throughout the study, FCS GROUP worked with the City to arrive at rate conclusions that meet forecasted utility financial obligations, achieve City goals and policies, comply with legal requirements, and adhere to utility ratemaking best practices. Meetings were held with City staff to validate input parameters, review interim findings, and receive policy direction.

II.D. INTENDED USE AND USERS

This report is intended to provide a record of the analysis developed by FCS GROUP in completing the listed steps shown in the Purpose of the Report. As such, this report explains our methodologies, materials considered, key assumptions, findings, and recommendations. No other use is intended or implied.

The report has been completed for the City of Lewiston under a Professional Services Agreement between the City and FCS GROUP. The report and its contents are the property of the City of Lewiston and the City is the only intended user of the report. The City of Lewiston may choose to distribute this report to others. However, the report itself was prepared solely for the use of the City of Lewiston.

II.E. SOURCES OF INFORMATION USED IN THE REPORT

We have reviewed a number of documents provided by the City during the course of our study. A summary of the key information reviewed for our report is as follows:

- Detailed line-item budgets for the Water, Wastewater, and Sanitation utilities
- Historical actual and budgeted expenditures
- 2018 Water Facility Plan and 2018 Wastewater Master Plan Update
- Sanitation service contracts for collection (refuse, recycling, and yard waste), composting, disposal, and hauling
- FY 2018 transfer station tonnage and ticket data
- December 2019 updated water capital improvement plan and October 2019 updated wastewater capital improvement plan
- FY 2018 water, wastewater, and sanitation detailed customer billing statistics
- FY 2020 beginning fund balances
- Intergovernmental wastewater service agreements with neighboring sewer districts
- Loan agreements with the Idaho Department of Environmental Quality

Section III. POLICY FRAMEWORK

III.A. FISCAL POLICIES

The utility financial plans are based on a framework of fiscal policies that promote the financial integrity and stability of each utility as a standalone enterprise. The ensuing discussion provides a brief summary of the key policies incorporated in this analysis.

III.A.1. Cash Reserves

Like any business, a municipal utility requires certain minimum levels of cash reserves to operate. These reserves address the variability and timing of revenues and expenses as well as occasional disturbances in activities. Given the City's responsibility to provide essential services to its customers at a certain standard, protection against financial disruption is even more important than it would be for private-sector or non-essential counterparts. In addition, a defined reserve structure serves to maintain appropriate segregation of funds and promote the use of resources for their intended purposes. Based on utility ratemaking industry best practices and the specifics of the City's separate utilities, FCS GROUP makes the following recommendations for cash reserve policies for the water and wastewater utilities:

- **Operating Reserve.** An operating reserve is designed to provide a liquidity cushion; it protects the utility from the risk of short-term variation in the timing of revenue collection or payment of expenses. Anticipated changes may include billing and receipt cycles, payroll cycles, and other payables; examples of unanticipated changes include the loss of a large customer or sudden changes to the economy. Like other types of reserves, operating reserves also serve another purpose: they can help smooth rate increases over time.

Industry practice for utility operating reserves typically ranges from 30 days (8%) to 120 days (33%) of operating expenses, with the lower end more appropriate for utilities with stable revenue streams and the higher end of the range more appropriate for utilities with significant seasonal or consumption-based fluctuations. The most common operating reserve target for water utilities is between 60 days to 90 days of operating expenses.

For the water utility, FCS GROUP recommends a minimum operating reserve equal to 90 days of operating expenses. For the wastewater utility, which has more stable cash flow throughout the year, FCS GROUP recommends a minimum operating reserve equal to 60 days of operating expenses. The sanitation utility is also supported by a stable cash flow. Most customers are charged a fixed monthly rate and approximately 75 percent of annual operating expenses are comprised of the City's solid waste service contracts. FCS GROUP recommends a minimum operating reserve equal to 30 days of solid waste operating expenses.

- **Capital Reserve.** A capital reserve consists of cash that has been set aside for capital purposes. Resources include equity buy-ins (EBIs), grants, bond proceeds, and capital funding generated through rates. This fund can serve a variety of purposes, and the amount of

cash held as a minimum fund balance should be based on the goals of the City for the fund. There are three general reasons for maintaining a minimum fund balance in a capital reserve:¹

- To maintain funds on hand to cover unplanned rehabilitation or replacement because of assets that wear out before the expected useful life. To serve this goal, a minimum reserve based on the total asset value, annual depreciation expense, or budgeted annual rehabilitation and replacement can be used.
- To levelize fluctuations in cash funding of capital projects. To serve this goal, a minimum reserve based on the cumulative difference between the long-term average annual amount needed and the actual forecasted cash-funded capital can be used.
- To set aside funds for major capital improvements at some point in the future. To serve this goal, an annual contribution amount and annually adjusted fund balance target can be set based on the amount to be cash funded and years until construction can be used.

It is important to note that this capital reserve policy is not intended to guard against catastrophic system failure or extreme acts of nature.

Based on discussion with City management, it was determined that the Capital Reserve target should be based on two primary metrics: the level of annual replacements identified through the City's system planning efforts, equal to approximately \$2.0 million in 2020, and for water, an additional \$1.0 million in order to have funding available for opportunities to lower the cost of projects, such as meeting matching requirements of grants or accelerating main replacements to coincide with pavement rehabilitation projects.

- **Restricted Debt Reserve.** Some debt issuances, such as revenue bonds and some low interest state loans, require a restricted reserve as a security measure. The loan terms specify the minimum balance, which is generally based on annual debt service or a percentage of the amount borrowed. The City's loan agreements with the Idaho Department of Environmental Quality (DEQ) carry the following reserve requirements:
 - Water Loan (loan #DW2001): A reserve fund equal to one year's payment of principal, fees and interest on the loan, with 10% of the full amount to be set aside per year over ten years.
 - Wastewater Loan (loan #WW2001): A reserve fund equal to one year's payment of principal, fees and interest on the loan, with 10% of the full amount to be set aside per year over ten years.

¹ American Water Works Association, 2018. *Cash Reserve Policy Guidelines*.

III.A.2. Other Financial Policies

III.A.2.a System Reinvestment Funding

“System reinvestment” is the practice of setting aside cash from rates each year to provide for the replacement of aging system facilities, ensuring the sustainability of the system for ongoing operations. Many cities tie system reinvestment to a specific target, often original cost depreciation of a utility’s assets. However, rising construction costs create a gap between depreciation-based reinvestment funding and the eventual cost of replacing key assets. A proactive system reinvestment policy considers the eventual replacement cost of the utility’s assets.

As part of the City’s recent master planning efforts, the following annual replacement programs were identified and incorporated into each utility’s financial plan:

- **Water.** Mountain Waterworks, the City’s engineering consultant, identified three replacement programs totaling approximately \$3.0 million per year.
 - A pipeline replacement program, with 72 miles of high-priority water pipe replacement funded over 35 years at a cost of \$2.1 million per year in present-day dollars.
 - A short-lived asset replacement program of approximately \$800,000 per year.
 - Rolling stock replacement averaging approximately \$100,000 per year.
- **Wastewater.** Three replacement programs totaling approximately \$2.0 million per year are identified in Chapter 8.2 of the 2018 Lewiston Wastewater System Master Plan:
 - An annual target of 1.6% of the total WWTP replacement cost, which equates to roughly \$730,000 per year.
 - An annual program of \$1.0 million aimed at replacing 21% of the collection system over the next 20 years.
 - A vehicle replacement budget of \$177,000 per year.
- **Sanitation.** The City is targeting \$0.6 million in system reinvestment funding from FY 2019 to FY 2022 to support planned transfer station improvements.

III.A.2.b Debt Service Coverage

Debt service coverage is typically a requirement associated with revenue bonds and some State loans, and it is an important benchmark to measure the riskiness of the utility’s capital funding plans.

Debt service coverage is most easily understood as a factor applied to annual debt service, commonly 1.50 for revenue bonds. In such a case, if it takes on a debt obligation, the City agrees to collect sufficient revenue to meet operating expenses and not only pay debt service but collect an additional 25% or 50% increment above that debt service. The extra revenue is a cushion that makes lenders more confident that debt service will be paid on time. The extra revenue can be used for capital expenditures, to build system reinvestment reserves, or for debt service on subordinate debt. Achieving a debt service coverage level greater than the minimum required level is a positive signal that bond rating agencies notice, and it can result in more favorable terms if the City goes to the market for revenue bonds. Further, while the City does not anticipate reliance on the open bond

market for funding its capital projects within the study period, a strong debt service coverage policy functions to ensure that the utility does not fall into overreliance on its reserves to meet operating obligations, as it functions as a form of cash-flow test.

Based on the City's overall debt position, FCS GROUP recommends targeting a minimum debt service coverage ratio of 2.0 times. The City does not currently have a debt service coverage requirement associated with any of its outstanding debt.

III.A.3. Financial Performance Standards

This analysis evaluates the sufficiency of the utilities' revenues to meet their respective financial obligations including operation and maintenance (O&M) expenses, debt repayment, rate-funded capital needs, and any other policy-based needs. It determines the amount of revenue needed in a given year to meet that year's expected financial obligations, in the context of two revenue sufficiency tests:

- **Debt Service Coverage Test.** The debt service coverage test evaluates the utilities' ability to meet applicable debt coverage requirements, as specified by the City's covenants, loan agreements, and internal debt policies. For the coverage test, obligations include operating expenses, debt service, and the incremental debt service coverage policy. In addition to rate revenues included in the cash test, the coverage test allows for the inclusion of non-operating interest earnings from all utility reserves and might also allow for annual equity buy-in revenues depending on bond covenants. This test generally does not allow for the use of fund balances in meeting annual coverage obligations.
- **Cash Reserve Test.** The Cash Reserve Test ensures that in addition to maintaining annual net operating revenues for debt service coverage, that rate revenues will be sufficient to meet the cash reserve minimums identified in the preceding section.

In determining the annual revenue requirement, the test with the greatest deficiency generally drives the rate increase in any given year. It is worth noting that the City can temporarily waive the requirements of these tests as part of a conscious decision to phase in rate increases, as long as its reserve balances are sufficient to absorb the resulting cash flow deficit. Because the City does not currently have any outstanding debt that requires coverage, cash-flow needs define the utilities' revenue requirements.

Section IV. REVENUE REQUIREMENT

IV.A. BACKGROUND & GENERAL METHODOLOGY

The revenue requirement is the amount of revenue that a utility's rates must generate in order to meet its various financial obligations. This analysis serves as a means of evaluating the utility's fiscal health and adequacy of current rate levels, also setting the revenue basis for near-term and long-term rate planning. The rate revenue requirement is defined as the net difference between total revenue needs and the revenue generated through non-rate sources – therefore, the revenue requirement analysis involves defining and forecasting both needs and resources.

IV.B. OPERATING FORECAST

The operating forecast focuses on annual expenses incurred to operate, maintain, and manage the City's utilities. The forecast used in this study is largely based on the FY 2021 budget, with adjustments provided by City staff to incorporate known or estimated future revenues and expenditures for some specific line items. The key assumptions and inputs used to develop the operating expense forecasts are described in further detail below:

IV.B.1. Operating Revenue

- **Customer Growth.** Each utility has a separate growth rate based on City staff input; for wastewater, the historical growth in Lewiston's population (0.42%) is used, while water and sanitation growth is based on historical growth in water customer connections (0.25%).
- **Rate Revenue.** The forecast of rate revenue is derived by applying the adopted rate structures to projected customer counts and water usage, based on billing statistics from FY 2018 and the assumed growth rates.
 - **Yard Waste Service:** The City rolled out a curbside yard waste collection service to residential customers in FY 2019. Projected service and cart rental rate revenue have been adjusted each year from FY 2019 to FY 2021 to account for the costs of yard waste service.
- **Wastewater Intergovernmental Revenue.** The forecast of revenue received from the three sewer districts served by the City are based on the individual agreements with each district.
- **Water Interfund Payments.** General fund payments to the water fund for water service to city parks and the golf course are projected to continue at their existing levels, based on City Ordinance 4756.
- **Nez Perce County Transfer Station Revenue.** The forecast for solid waste service revenue assessed to Nez Perce County is based on a prorated share of City expenses for transfer station operations, hauling, and disposal allocated to Nez Perce County based on annual tonnage.

- **Non-Rate Revenue.** The forecast of other operating revenues is generally based on the FY 2021 budgets, with no escalation assumed except for on non-rate revenues related to customer installations and private fire protection.
- **Investment Income:** The forecast of investment income is based on the Idaho Local Government Investment Pool (LGIP) average yields from 2016 to 2018, with projected investment returns of 1.2%.

IV.B.2. Operating Expenses

The forecast of operating expenses is generally based on the FY 2021 budget, with adjustments for future cost escalation:

- **Labor Costs.** Assumed to grow by 2.00% per year based on City staff input.
- **Benefit Costs.** Assumed to grow by 7.00% per year based on City staff input.
- **Sanitation Contract Expenses.** Some of the City's sanitation service contracts are adjusted annually based on regional economic indices (e.g., diesel fuel pricing) and contract rate terms. The assumed growth rates for the City's major sanitation contracts are:
 - Refuse and Yard Waste Collection: assumed to be 1.67% per year based on existing contract terms for annual inflation adjustments. Section 21 of the 2018-2020 Solid Waste and Yard Waste Collection Contract between the City and Sanitary Disposal, Inc (SDI) defines the annual payment adjustment based on a weighted average of the U.S. City Average of the consumer price index less food and energy and the producer price index for diesel fuel. The current contract expires December 2021. Based on feedback from City staff, the annual cost adjustment for collection services is assumed at 3.00 percent beginning January 2022.
 - Residential Recycling Collection: assumed to increase at similar levels to the refuse and yard waste collection contract. In addition to the annual cost inflation adjustments, the recycling contract forecast was adjusted in to increased processing costs and lower commodity resale revenue for recyclable materials. There is an assumed one-time increase of \$190,000 to recycling collection contract costs in FY 2019. Recycling contract expenses increased by \$245,000 in FY 2020 – this cost adjustment is applied to annual contract rates in FY 2020 and each year thereafter.
 - Solid Waste Hauling: assumed to be 2.00% per year based on the 2018-2027 Consumer Price Index (Core) forecast published by the Federal Reserve Bank of Philadelphia. Section III.A. of the service contract between the City and SDI defines the annual payment adjustment based on the U.S. City Average of the consumer price index less food and energy.
 - Solid Waste Disposal: no inflation growth is assumed for contract disposal services. Section 16 of the service contract between the City and Asotin County sets the disposal fee at \$49.73 per ton through 2025.
 - Yard Waste Processing: assumed to be 2.00% per year based on the 2018-2027 Consumer Price Index (Core) forecast published by the Federal Reserve Bank of Philadelphia. Section 10 of the service contract between the City and Clearwater Composting defines

the annual payment adjustment based on the U.S. City Average of the consumer price index less food and energy.

- **Commodity Costs.** Costs related to utility services, including electricity, as well as the cost of chemicals are assumed to grow with both customer growth and general cost inflation.
- **Other Costs.** Assumed to grow by a general inflation rate of 2.21% per year based on the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters.

IV.B.3. Debt Service

In a May 22nd, 2019 election, Lewiston voters approved the issuance of debt to cover the cost of improvements to the City's water and wastewater systems. The City was awarded loans through the Idaho DEQ's State Revolving Fund (SRF) program, with loan terms as shown in **Exhibit 4.1**.

Exhibit 4.1: SRF Loan Terms

Item	Water	Wastewater
Maximum Amount Borrowed	\$42.0M	\$29.2M
Repayment Term	25 years	15 years
Interest Rate	1.625%	1.2605%
Principal Forgiveness	2.5% of Principal	None
Reserve Requirement	One year's debt service	One year's debt service

IV.C. CAPITAL FORECAST

The capital forecast involves projecting annual capital project expenditures and developing a strategy to fund those expenditures. The City's Water Facility Plan and Wastewater System Master Plan serve as the primary sources of information for these projections, with project costs and timings reflecting the most recent estimates from City staff and the consulting engineers for each plan. When cost estimates were provided in current day dollars, they were escalated to the year of construction based on anticipated construction cost inflation of 3.0% per year. The capital funding strategy considers low-interest debt financing augmented by system reinvestment, grants, EBI revenues, and available cash balances in the capital reserves.

The capital funding plans are presented for FY 2020 through the year in which each utility fully funds its SRF loan reserve: FY 2034 for water and FY 2032 for wastewater.

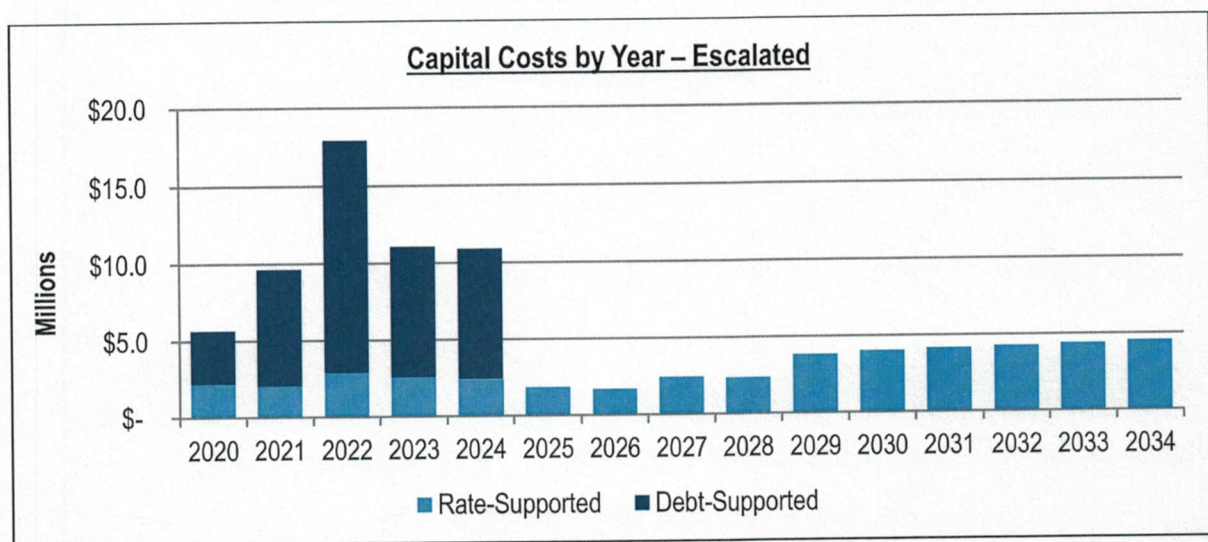
IV.C.1. Water Capital Funding Plan

Based on the City's Water Facility Plan and input from City Staff and the engineering consultant team, the City forecasts capital spending needs of \$88.9 million on water capital projects from FY 2020 through 2034. \$42.1 million in debt-funded projects will be constructed from FY 2020 through 2025, including \$28.45 million to retrofit the existing water treatment plant with membrane filtration, \$7.0 million to develop a new groundwater well, and \$4.5 million to construct a new reservoir. Rate-supported short-term (FY 2020 through 2028) projects include the replacement of three transmission

mains for a total of \$6.0 million, pumping upgrades of \$3.2 million, and reservoir recoating totaling \$700,000. Beginning in FY 2029, the long-term capital plan consists of about \$3.0 million (current day dollars) per year in rate-funded pipeline replacement, short-lived asset replacement, and rolling stock replacement.

Exhibit 4.2 summarizes the capital improvement plan for the water utility through FY 2034.

Exhibit 4.2: Summary of Water Capital Improvement Plan



Funding for the identified capital plan is provided by the following sources:

- **SRF Loan Financing.** The City’s SRF loan agreement provides \$42.1 million in funding from FY 2020 through 2024, with 2.5% principal forgiveness reducing the amount that is truly “borrowed” to \$41.1 million.
- **Grants.** United States Army Corps of Engineers grant funding of \$500,000 per year is projected in both FY 2021 and 2022.
- **Equity Buy-In Revenue.** EBI revenue provides a total of \$460,000 in capital funding over the forecast period.
- **Cash Resources.** Available cash from the City’s existing capital reserves and the annual transfer of operating funds in excess of the operating fund reserve target combine to fund the remaining \$45.3 million of the capital plan.

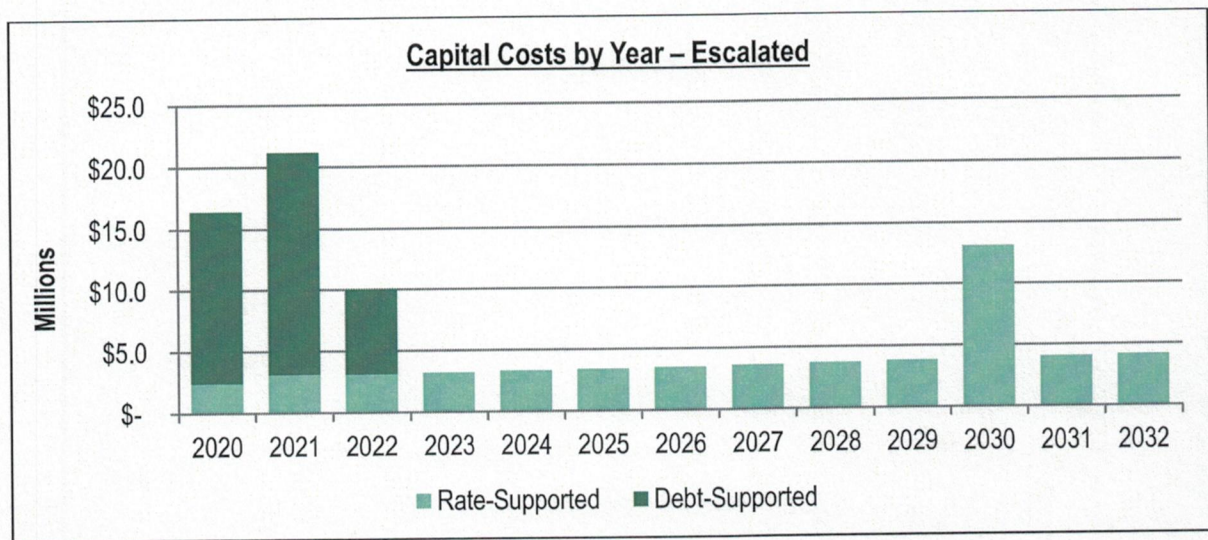
IV.C.2. Wastewater Capital Funding Plan

Based on the City’s Wastewater Master Plan Update and input from City Staff and the engineering consultant team, the City expects to spend \$93.8 million on wastewater capital projects from FY 2020 through 2032. Treatment plant upgrades totaling \$39.1 million are planned from FY 2020 through 2022, with another \$10.5 million (escalated) in Priority 3 treatment upgrades planned for FY 2030. Priority 2 & 3 collection improvements are planned from FY 2021 through 2029 at \$1.0 million per year (current day dollars). Additional rate-supported capital consists of several long-term

annual replacement programs (all in current day dollars): \$728,000 per year in short-lived treatment asset replacement, \$1.0 million per year in pipeline replacement, and \$177,000 per year in vehicle replacement. An additional \$1.0 million per year is included for ongoing system rehabilitation capital projects beginning in FY 2031.

Exhibit 4.3 summarizes the capital improvement plan for the wastewater utility through FY 2032.

Exhibit 4.3: Summary of Wastewater Capital Improvement Plan



Funding for the identified capital plan is provided by the following sources:

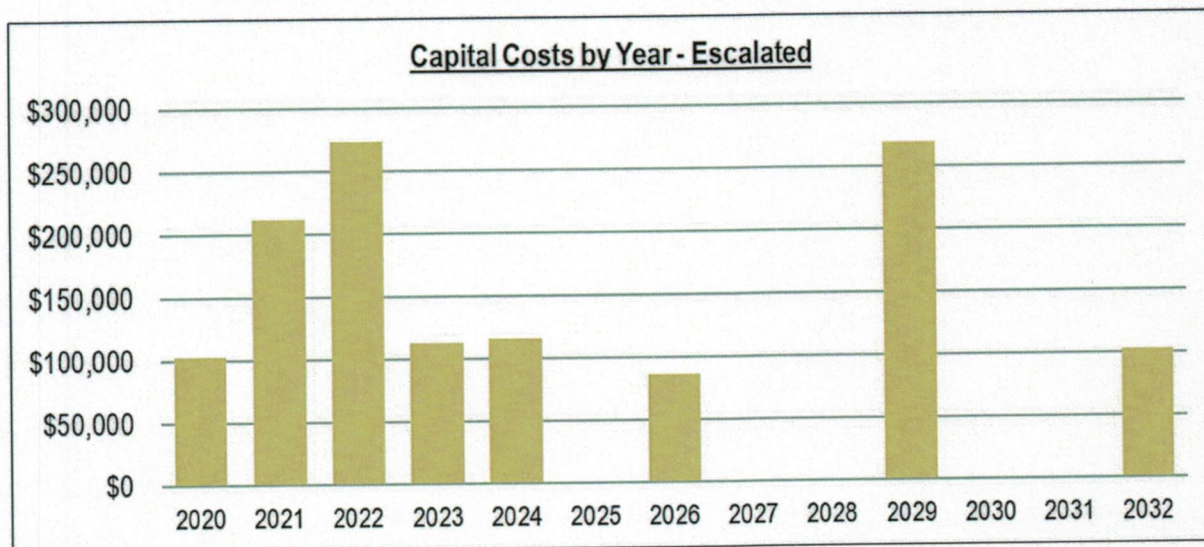
- **SRF Loan Financing.** The City's SRF loan provides \$29.2 million in funding from FY 2020 through 2022.
- **Equity Buy-In Revenue.** EBI revenue, including EBI funds held in the City's existing reserves, provides a total of \$4.3 million over the forecast period.
- **Cash Resources.** Available cash from the City's existing capital reserves and the annual transfer of operating funds in excess of the operating fund reserve target combine to fund the remaining \$60.4 million of the capital plan.

IV.C.3. Sanitation Capital Funding Plan

The Sanitation capital funding plan is based on discussions with City staff related to planned improvements to the transfer station. All funding for the capital plan would be supported by rate revenue.

Exhibit 4.4 summarizes the capital improvement plan for the sanitation utility through FY 2032.

Exhibit 4.4: Summary of Sanitation Capital Improvement Plan



IV.D. EVALUATION OF REVENUE SUFFICIENCY

IV.D.1. Water Revenue Requirement

Exhibit 4.5 summarizes the water utility's revenue requirement through FY 2034.

Exhibit 4.5: Water Revenue Requirement Summary

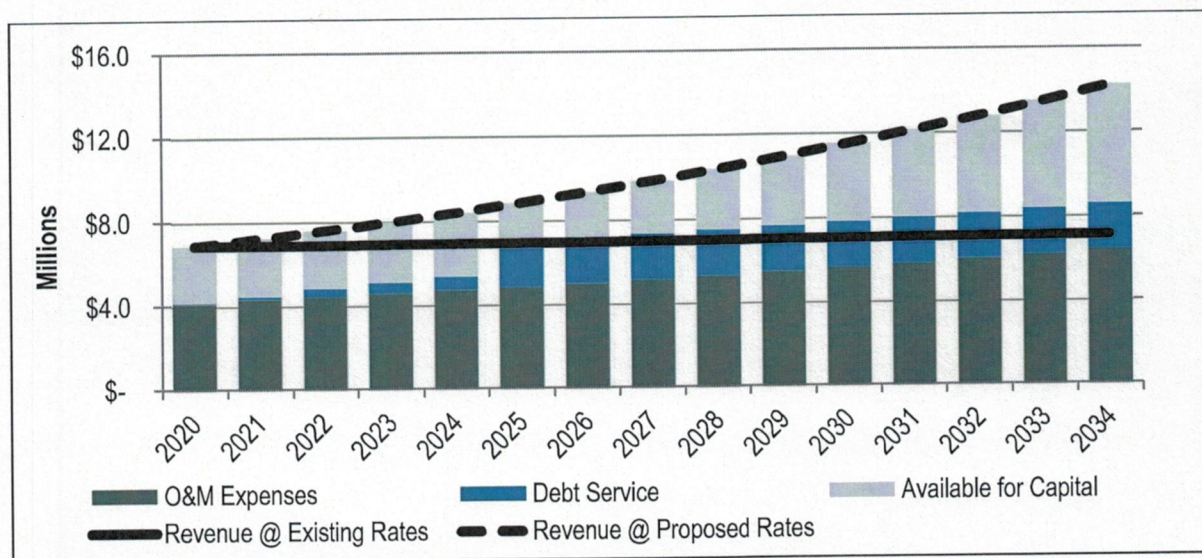
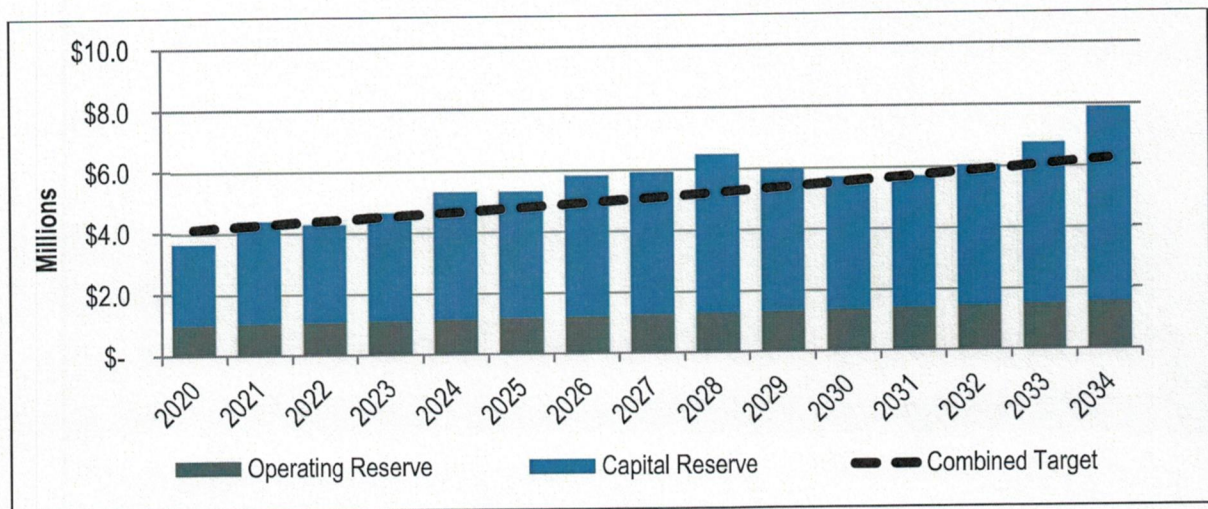


Exhibit 4.5 indicates that the water utility's revenues at current rates are sufficient to fully cover the utility's annual operating expenses. However, rate increases are needed to meet capital funding

requirements through both direct rate funding and debt service payments on the utility's SRF loan. The proposed financial plan contemplates annual water rate increases of 5.25% beginning in FY 2021. These rate increases allow the utility to contribute an average of \$3.4 million per year from rates to fund capital improvements, avoiding additional debt issuance beyond the SRF loan.

Exhibit 4.6 shows the water utility's projected ending operating and capital fund balances. The utility maintains an average combined operating and capital fund balance of \$5.6 million, which equates to approximately 390 days of operating expenses – well above typical utility industry benchmarks of 250 days cash-on-hand.

Exhibit 4.6: Water Ending Fund Balances



IV.D.2. Wastewater Revenue Requirement

Two Wastewater Revenue Requirement scenarios were considered for the City, based on a policy question regarding the preferred funding approach for the Priority 3 wastewater treatment plant improvements. These improvements are currently forecast to be needed as soon as 2030 and carry an estimated cost of \$7.8 million in current dollars. Based on discussions with City staff, the two alternative scenarios developed to evaluate the implications of this policy decision are:

- Establish rates based on accumulating reserves in order to cash fund the capital project, or
- Establish rates assuming a future debt issuance to fund these improvements.

IV.D.2.a Scenario 1: Cash-funding for Priority 3 Improvements

Exhibit 4.7 summarizes the wastewater utility's revenue requirement through FY 2032 with cash-funding of the Priority 3 improvements.

Exhibit 4.7: Wastewater Revenue Requirement Summary – Priority 3 Cash

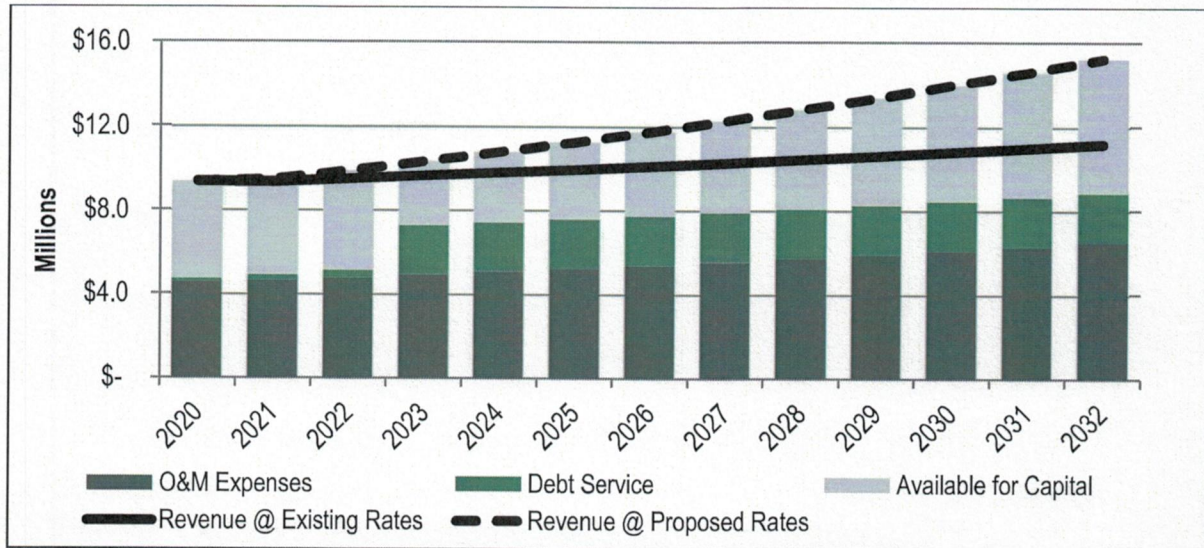
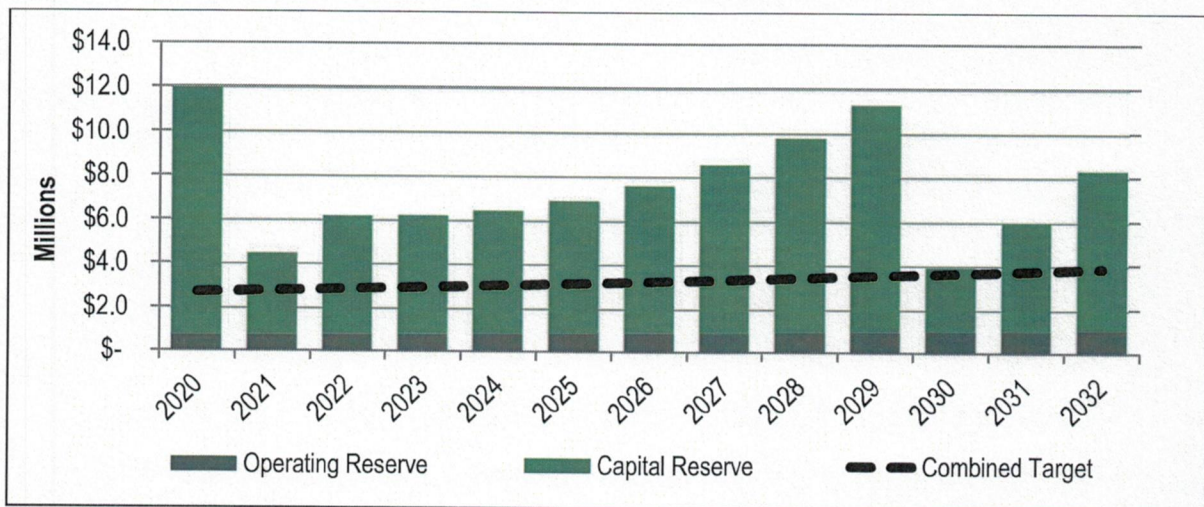


Exhibit 4.7 indicates that the wastewater utility’s revenues at current rates are sufficient to fully cover the utility’s annual operating expenses. However, rate increases are needed to meet capital funding requirements through both direct rate funding and debt service payments on the utility’s SRF loan. Following a planned 2.0% rate increase in FY 2021, the proposed financial plan contemplates annual wastewater rate increases of 4.25%, beginning in FY 2022. These rate adjustments allow the utility to contribute an average of \$4.9 million per year from rates to fund capital improvements, avoiding additional debt issuance beyond the SRF loan.

Exhibit 4.8 shows the wastewater utility’s projected ending operating and capital fund balances. The utility is projected to maintain an average combined operating and capital fund balance of \$7.5 million, which equates to about 510 days of operating expenses – well above typical utility industry benchmarks of 250 days cash-on-hand.

Exhibit 4.8: Wastewater Ending Fund Balances – Priority 3 Cash



IV.D.2.b Scenario 2: Debt-funding for Priority 3 Improvements

Exhibit 4.9 summarizes the wastewater utility's revenue requirement through FY 2032 with debt-funding of the Priority 3 improvements.

Exhibit 4.9: Wastewater Revenue Requirement Summary – Priority 3 Debt

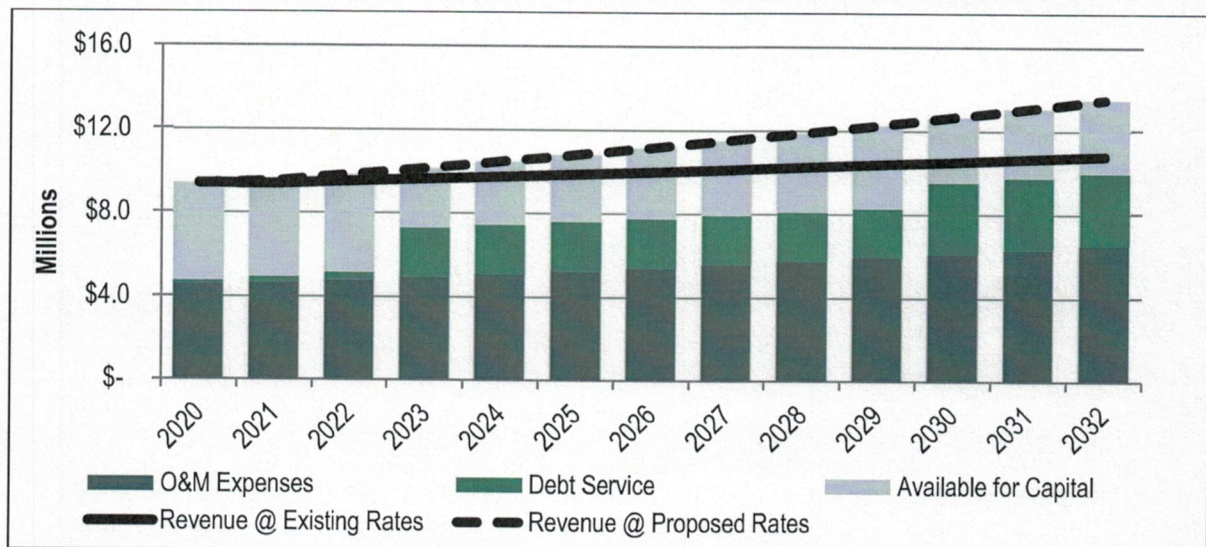
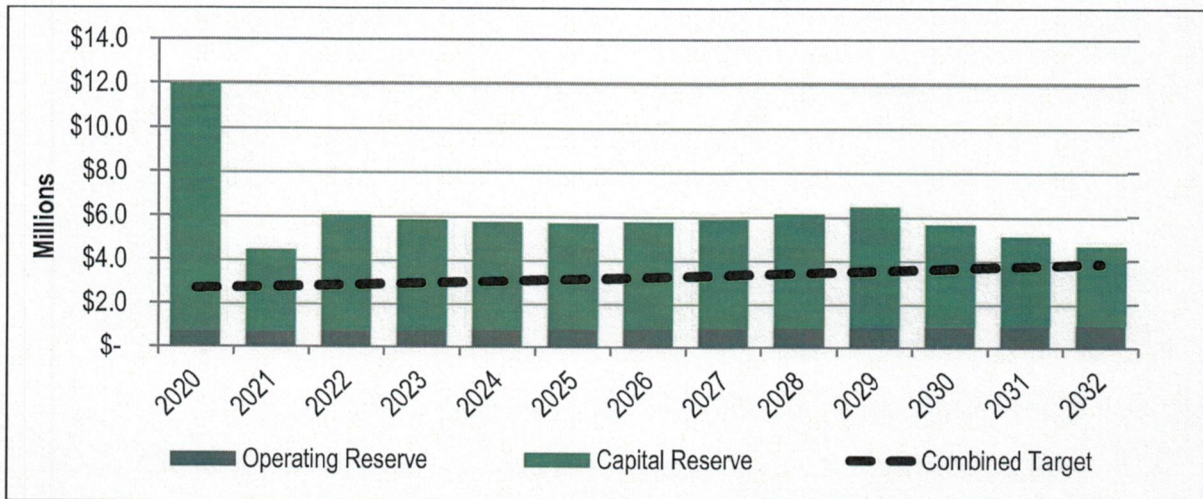


Exhibit 4.8 indicates that the use of debt to fund the Priority 3 treatment improvements takes some pressure off the City's rates, allowing for 3.0% annual increases rather than the 4.25% increases recommended in the cash-funding scenario.

Exhibit 4.10 shows the wastewater utility's projected ending operating and capital fund balances in this scenario. The utility is projected to maintain an average combined operating and capital fund balance of \$6.1 million, which equates to about 420 days of operating expenses.

Exhibit 4.10: Wastewater Ending Fund Balances – Priority 3 Debt



IV.D.3. Sanitation Revenue Requirement

Exhibit 4.11 summarizes the sanitation utility's revenue requirement through FY 2032.

Exhibit 4.11: Sanitation Revenue Requirement Summary

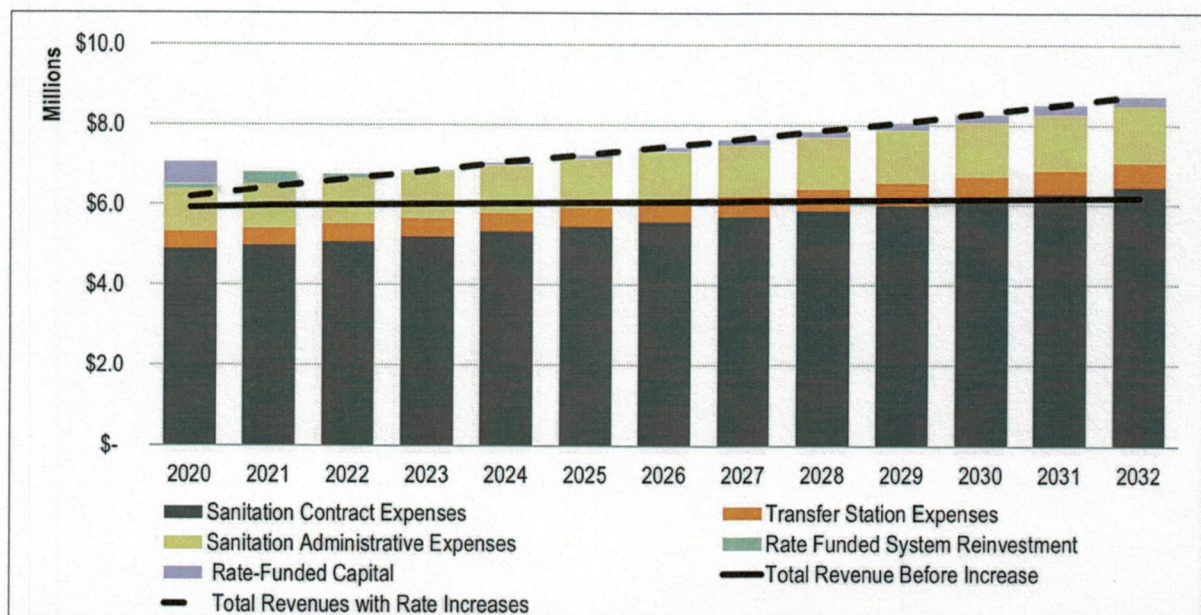
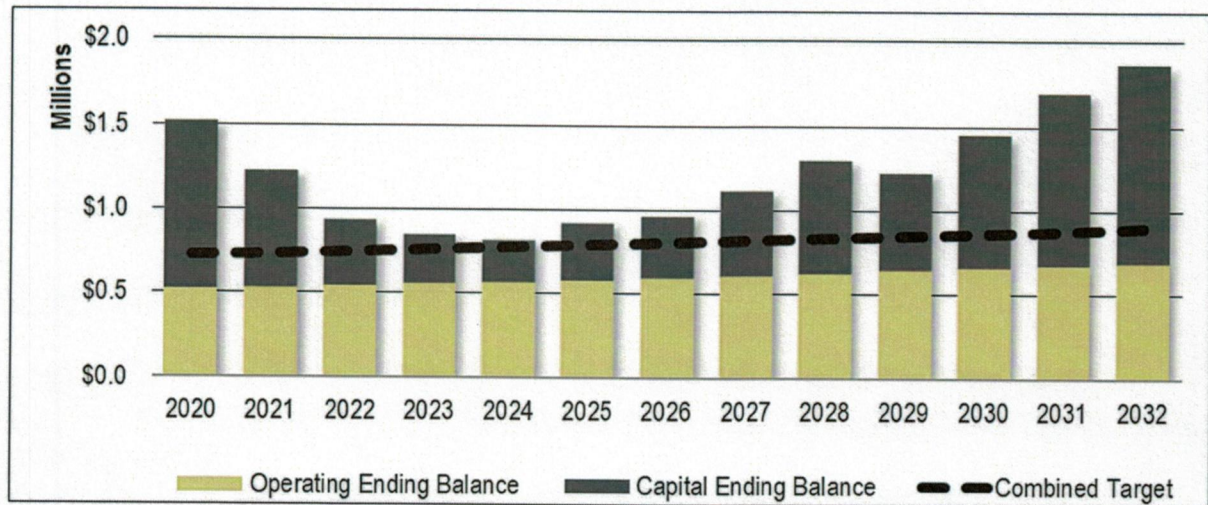


Exhibit 4.11 indicates that the sanitation utility's revenues at current rates are insufficient to fully cover the utility's annual operating expenses. The proposed financial plan adjusts annual revenues to account for anticipated increases to solid waste contract expenses, upcoming capital improvement projects, and to improve the annual cash flow of the sanitation fund. Rates would be adjusted 3.00 percent from FY 2021 to FY 2024. Beginning in FY 2025, rate increases are projected each year at 2.50 percent. These rate increases allow the utility to maintain an operating reserve equivalent to 30 days of operating expenses as well as a minimum capital reserve of \$200,000 (see **Exhibit 4.12**).

Exhibit 4.12: Sanitation Ending Fund Balances



Section V. COST-OF-SERVICE ANALYSIS

V.A. BACKGROUND & GENERAL METHODOLOGY

The cost-of-service analysis (COSA) provides the analytical basis for equitably recovering the forecasted revenue requirement from customers. Both the American Water Works Association (AWWA) and Water Environment Federation (WEF) recommend a two-tiered approach that involves first allocating costs to functions of service, and then to customers based on their demand characteristics and service requirements.

V.B. FUNCTIONAL COST ALLOCATION

The functional cost allocation involves allocating the detailed line items that comprise each utility's revenue requirement to functions of service. While certain line items may be directly attributable to a specific service function, many are not and must be allocated to functions based on an allocation of system assets or some other metric. Each utility's allocation is discussed in further detail below.

V.B.1. Water Functional Cost Allocation

The water utility's revenue requirements are allocated to the following functions:

- **Customer.** These are the costs associated with establishing, maintaining, and serving water customer accounts. These costs generally do not depend on meter size or water usage.
- **Meters & Services.** These costs are associated with the installation and maintenance of meters and services.
- **Base Demand.** These costs relate to providing capacity to meet "base" or average water demands.
- **Peak Demand.** These costs relate to providing additional capacity to meet incremental water demand during peak demand periods, which usually occur during the summer months.
- **Fire Function.** These are the costs associated with operating and maintaining facilities that are used to provide fire protection service. This includes both facilities that are directly related to fire protection (e.g. hydrants) and facilities that are oversized to accommodate fire flow (e.g. mains, reservoirs, pump stations).

Given that many of the water utility's cost accounts are not readily separable between these functions, a significant portion of the water utility's operating costs are allocated based on allocations of the water utility's planned capital. In addition to the budgeted operating costs, the utility's rate contribution to capital projects generates net cash flow of \$1.9 million in FY 2021. To recognize that this excess cash flow is effectively a "capital cost", the City's short-term (FY 2020 through 2028) CIP was allocated among the system's functions of service.

Exhibit 5.1 summarizes the functional allocation of the water revenue requirement:

Exhibit 5.1: Allocation of Water Revenue Requirement

FY 2021 Revenue Requirement	Expense (Revenue)	Customer	Meters & Services	Base Demand	Peak Demand	Fire Function
Cash Operating Expenses	\$4,335,070	9.20%	0.00%	50.21%	39.67%	0.92%
Existing Debt Service	-	5.24%	1.25%	46.27%	45.58%	1.66%
New Debt Service	167,508	0.00%	0.00%	42.02%	57.98%	0.00%
Debt Reserve Funding	-	5.24%	1.25%	46.27%	45.58%	1.66%
System Reinvestment						
Pumps and Motors	126,351	0.00%	0.00%	27.34%	49.80%	22.86%
Membrane Modules	300,062	0.00%	0.00%	42.02%	57.98%	0.00%
Chemical Feed Systems	19,544	0.00%	0.00%	42.02%	57.98%	0.00%
Control Valve Rebuilds	16,379	0.00%	0.00%	41.48%	57.25%	1.27%
Flow Meters	8,213	0.00%	0.00%	40.95%	56.51%	2.54%
Customer Meters	89,340	0.00%	100.00%	0.00%	0.00%	0.00%
Steel Tank Recoating	78,173	0.00%	0.00%	28.26%	53.62%	18.11%
Electrical	63,175	0.00%	0.00%	100.00%	0.00%	0.00%
Communication/Controls	94,763	0.00%	0.00%	41.48%	57.25%	1.27%
Private Fire Protection	(30,000)	0.00%	0.00%	0.00%	0.00%	100.00%
Customer Installations	(25,000)	100.00%	0.00%	0.00%	0.00%	0.00%
Other Non-Rate Revenues	(247,827)	5.24%	1.25%	46.27%	45.58%	1.66%
Net Cash Flow	1,895,374	0.00%	0.00%	39.71%	56.91%	3.38%
Total	\$6,891,125	\$360,757	\$86,239	\$3,188,734	\$3,140,939	\$114,456
% of Total		5.24%	1.25%	46.27%	45.58%	1.66%

Exhibit 5.1 shows how the City's revenue requirement is split between the functions of service. The percentages shown are derived from detailed allocations of the utility's asset categories, and reflect the following assumptions:

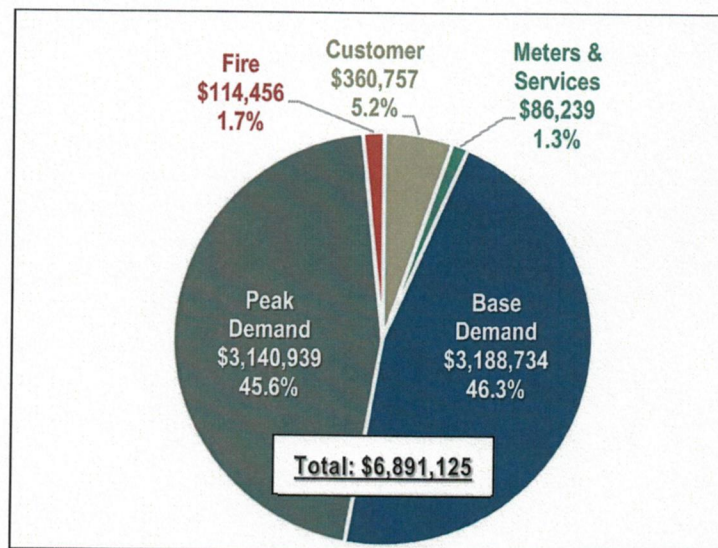
- Table 5-7 of the 2018 Water Facility Plan indicates that the City's water system exhibits a maximum day demand that is 2.38 times its annual average day demand. Consequently, $1 / 2.38 = 42.02\%$ of the water system's supply and treatment capital is attributed to meeting "base" demands; the remaining 57.98% is attributable to meeting incremental peak demands.
- Chapter 4.3 of the 2018 Water Facility Plan characterizes the City's pump stations. Each station is allocated among the functions based on the purpose of that pump station and then weighted by the firm capacity of each pump station to determine the overall allocation of pumping.
- Reservoir capacity is allocated among functions based on the allocation of existing storage capacity shown in Chapter 4.4 of the 2018 Water Facility Plan. The 1.76 million gallons (MG) of operational storage capacity is allocated to base demand; the 3.50 MG of equalizing storage capacity is allocated to peak demand. The 0.70 MG of standby storage capacity is split between base demand and peak demand using the "base/peak" split. The 2.88 MG of fire-related storage is allocated directly to the fire function. The 7.06 MG of surplus capacity is split between base demand and peak demand based on the overall allocation of operational, equalizing, and standby storage.

- Most of the costs associated with transmission & distribution are split between base and peak demand using the “base/peak” split. Mains between 8” and 12” in diameter are assumed to be oversized by one size increment to accommodate fire flow (e.g. an 8” main could be a 6” main absent fire flow requirements). Based on estimated replacement costs, the portion of costs attributable to the oversizing of these mains is allocated to the fire function.

To the extent that water utility operating costs are not attributable to a specific function of service, they are split among functions using the asset allocations. For example, employee salaries for water maintenance & distribution are split 40.95% to base demand, 56.51% to peak demand, and 2.54% to fire based on the overall allocation of transmission & distribution mains.

Exhibit 5.2 summarizes the functional allocation of the FY 2021 rate revenue requirement.

Exhibit 5.2: Water Utility FY 2021 Functional Cost Allocation Summary



The water utility cost allocation shown in **Exhibit 5.2** indicates that the majority of costs are associated with providing capacity to meet base and peak demands.

V.B.2. Wastewater Functional Cost Allocation

The wastewater utility’s revenue requirements are allocated to the following functions:

- **Customer.** These are the costs associated with establishing, maintaining, and serving wastewater customer accounts. These costs generally do not depend on sewer flow contributions.
- **Flow.** These costs relate to providing capacity to convey sewer flows. These costs include variable commodity costs such as electricity for pumping.
- **TSS.** These costs are attributable to the cost of treating total suspended solids (TSS). Industry best practice recommends allocating costs to a second treatment function, Biochemical

Oxygen Demand (BOD). Based on discussions with the City it was determined that sewer flow, rather than strength, is the driver of the City's costs. Therefore, the TSS function is used only to allocate the costs of sludge disposal and grit removal.

In addition to the budgeted annual operating costs, the utility's rate contributions to capital projects generate net cash flow of \$4.5 million in FY 2021. To recognize that this excess cash flow is effectively a "capital cost", the City's short-term (FY 2020 through 2030) CIP was allocated among the system functions.

Exhibit 5.3 summarizes the functional allocation of wastewater revenue requirement:

Exhibit 5.3: Allocation of Wastewater Utility Revenue Requirement

FY 2021 Revenue Requirement	Expense (Revenue)	Customer	Flow	TSS
Cash Operating Expenses	\$4,656,320	16.06%	78.83%	5.11%
Existing Debt Service	-	24.91%	73.59%	1.50%
New Debt Service	281,356	24.91%	73.59%	1.50%
Debt Reserve Funding	-	24.91%	73.59%	1.50%
System Reinvestment	2,003,863	28.67%	71.33%	0.00%
Intergov. Payments	(2,951,810)	15.14%	74.34%	4.82%
Customer Installations	(6,000)	100.00%	0.00%	0.00%
Other Non-Rate Revenues	(78,813)	24.91%	73.59%	1.50%
Net Cash Flow	2,530,184	28.67%	71.33%	0.00%
Total	\$6,435,100	\$1,603,064	\$4,735,765	\$96,272
% of Total		24.91%	73.59%	1.50%

Individual expense and revenue line-items for the wastewater utility are allocated among the functions of service. Most non-salary administrative costs are allocated to the customer function, while administrative salaries are allocated based on the overall allocation of all other operating costs. Most collection, pumping and treatment costs are allocated to the flow function. System reinvestment and net cash flow are allocated based on the functional allocation of the utility's capital. Intergovernmental charges to neighboring sewer districts are allocated based on the overall allocation of operating expenses, excluding system reinvestment. **Exhibit 5.4** summarizes the functional allocation of the FY 2021 revenue requirement:

Exhibit 5.4: Wastewater Utility FY 2021 Functional Cost Allocation Summary

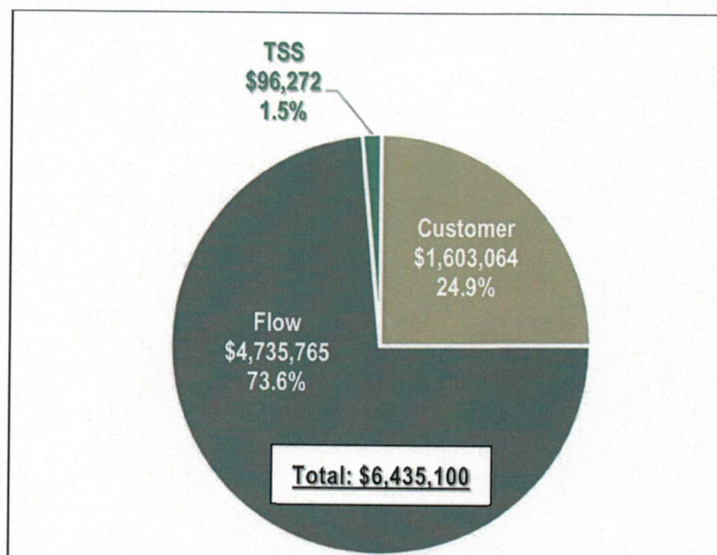


Exhibit 5.4 shows that the wastewater utility's costs are generally allocated to either flow or customer, with the exception of solids handling costs (allocated to TSS).

V.C. CUSTOMER CLASS COST ALLOCATION

Once the revenue requirement is split into functions of service, the next step is to allocate it to customer classes based on their relative demands and service characteristics. The ensuing sections discuss the key allocation principles used in this analysis to determine each class' equitable share of costs, as well as the resulting outcomes.

V.C.1. Water Customer Class Evaluation

As part of the Cost-of-Service analysis, an evaluation of the City's customer accounts was conducted in order to determine the extent to which existing customer classes aligned with actual customer behavior. According to the American Water Works Association, customer classes should be defined based on service characteristics, demand patterns, and jurisdictional considerations.

The City currently charges all water customers a fixed monthly charge based on the size of their meter, as well as a volume charge per hundred cubic feet (ccf) of water usage. The City's rate schedule does not distinguish between customer classes – a residential customer with a 1" meter pays the same fixed monthly charge as a commercial or industrial customer with the same meter size. One of the main objectives of the cost-of-service analysis is to evaluate if cost differences exist when serving different customer classes of the system. Although not billed differently, the City's customer data identifies several customer classes who are grouped together based on the usage patterns summarized in **Exhibit 5.5**.

Exhibit 5.5: Water Utility Customer Class Distinction Summary

Billing System Customer Class	COSA Customer Class	Class Peak Month over Average Use	Annual Water Use Per Account
Residential Family	Residential	2.42	157 ccf
Multi Family	Multi Family	1.54	270 ccf
Commercial	Commercial	1.75	185 ccf
Large Commercial	Large Commercial	1.42	934 ccf
Hotel/Motel	Hotel/Motel	1.41	1,775 ccf
Home Business	Residential	2.20	136 ccf
Schools	Public Use	2.82	874 ccf
Mobile Home	Commercial	1.96	883 ccf
Rooming House	Multi Family	1.50	136 ccf
Irrigation	Irrigation	2.97	808 ccf

Based on the usage characteristics identified above, the following customer classes are recommended in order to ensure that cost-of-service differences between the customers may be quantified in the following analysis, and reflected in the proposed rates:

- **Residential.** This class includes both residential family accounts and home business accounts, whose average usage and peaking behavior are not different enough from typical residential customers to justify a separate class.
- **Multi Family.** This class includes multi family and rooming house accounts. There are not enough rooming house customers to justify a separate class, and their peaking behavior and usage per account most closely align with the multi family class.
- **Commercial.** This class includes commercial and mobile home accounts. There are not enough mobile home customers to justify a separate class, and their peaking behavior and usage per account most closely align with the commercial class.
- **Large Commercial.** This class includes large commercial accounts only.
- **Irrigation.** This class includes all separately metered irrigation accounts.
- **Public Use.** This class includes all non-irrigation school accounts.
- **Hotel/Motel.** This class includes hotel and motel accounts only.

V.C.2. Water Customer Class Allocation

The following principles guide the allocation of the water rate revenue requirement to the customer classes identified above:

- **Customer Costs.** Because these costs do not vary based on meter size or water usage, they are allocated to classes based on the number of customer accounts in each class.
- **Meters & Services Costs.** To reflect that larger meters are more costly to install and maintain than smaller meters, these costs are allocated to classes based on the number of

meter service equivalents (MSEs). The American Water Works Association has established a scale of MSEs based on factors such as service pipe and materials used for each meter size.

- **Base Demand Costs.** These costs are allocated based on average monthly water use by class.
- **Peak Demand Costs.** These costs are allocated based on peak month water use by class.
- **Fire Costs.** These costs are allocated based on the number of customer accounts weighted by fire flow requirements for each class.

This analysis uses projected customer counts and usage statistics to allocate the water utility's costs to classes as described above. These statistics are based on FY 2018 billing data, adjusted for anticipated growth to project statistics for each year that rates are designed for.

Exhibit 5.6 summarizes the findings of the water cost-of-service analysis for FY 2021, showing cost recovery under the existing rate structure for comparative purposes.

Exhibit 5.6: Summary of FY 2021 Water Rate Revenue Requirement Allocations

Class	FY 2021 Revenue Under COS Rates		% of Revenue Under Existing Rates
	Amount ¹	% of Total	
Residential	\$3,744,899	54.3%	53.8%
Multi Family	471,954	6.8%	7.7%
Commercial	584,025	8.5%	10.9%
Large Commercial	972,927	14.1%	15.7%
Irrigation	867,067	12.6%	8.6%
Public Use	125,952	2.2%	1.9%
Hotel/Motel	97,301	1.4%	1.4%
Total	\$6,891,125	100.0%	100.0%

¹ Reflects projected FY 2021 rate revenue increase of 5.25% per **Exhibit 4.4**.

Exhibit 5.6 shows that interclass adjustments are warranted. In particular, the COSA suggests that multi family, commercial, and large commercial customers are overpaying relative to their allocated cost of service while the City's other customers are underpaying. To facilitate a logical progression of charges over time, the proposed five-year phasing strategy contemplates lower than 5.25% increases for multi family, commercial, and large commercial customers, while all other classes will increase by more than 5.25% each year. **Exhibit 5.7** summarizes the phasing strategy developed in this analysis:

Exhibit 5.7: Water Rate Phase-in Strategy

Annual Water Rate Increases	2021	2022	2023	2024	2025
Residential	5.50%	5.50%	5.50%	5.50%	5.50%
Multi Family	2.75%	2.75%	2.75%	2.75%	2.75%
Commercial	0.00%	0.00%	0.00%	0.00%	0.00%
Large Commercial	3.25%	3.25%	3.25%	3.25%	3.25%
Irrigation	14.00%	14.00%	14.00%	14.00%	14.00%
Public Use	8.50%	8.50%	8.50%	8.50%	8.50%
Hotel/Motel	6.25%	6.25%	6.25%	6.25%	6.25%

At the completion of the phasing strategy shown in **Exhibit 5.7**, all customer classes will have reached their allocated cost of service. Any further rate increases would be applied “across-the-board”, or equally to all customer classes until the next rate review.

V.C.3. Wastewater Customer Class Evaluation

Unlike the water utility, the City’s wastewater rate schedule distinguishes between customer classes for the fixed charge:

- Single family, multi family, and home business customers are charged a flat rate per dwelling unit. Eligible residential customers that are part of the Idaho Circuit Breaker program pay 75% of the regular charge.
- Hotels, mobile home parks, and rooming houses are charged the same rate as residential customers for the first unit, with a lower rate for each additional unit.
- Commercial customers without a commercial kitchen or industrial water use are charged a flat rate.
- Schools are charged a flat monthly rate when school is not in session, with a charge per 100 persons within the school facility when school is in session.

Most of the City’s customers do not pay a volume charge for water usage. There are two exceptions:

- Businesses with an effluent meter station are charged per 1,000 cubic feet of metered effluent, with a minimum monthly charge equal to the charge for about 1,100 cubic feet.
- Hospitals, laundromats, and other small commercial customers are charged per hundred cubic feet of water usage beyond the first 1,000 cubic feet.

The EPA promulgates user charge system requirements for publicly-owned treatment works funded through the clean water state revolving fund program. In order that each recipient of wastewater treatment services pay their proportionate share, the EPA’s guidelines stipulate that, except for small unmetered systems, the user charges be based on water meter readings. Because sewer flow is generally not metered, water meter readings are the best available indicator of sewer flow contributions. However, peak water usage for residential customers during the summer months is largely driven by irrigation and other outdoor water use which does not enter the City’s sewer system. Many utilities address this problem by billing residential customers for their winter quarter average (WQA) water use. If a customer uses less than their WQA, they are billed only for the actual water that they used.

When defining the customer classes evaluated in this study, customer types are grouped based on the appropriate indicator of sewer flow contribution: WQA billing for customers that function like residential customers and water meter readings for commercial customers. Other factors that contribute to the customer class distinctions are flow characteristics (i.e. are these two classes likely to have sewer flow with similar strength?) and compatibility with the customer classes identified in the water analysis. **Exhibit 5.8** compares average monthly water use and winter average monthly water use by customer class.

Exhibit 5.8: Wastewater Utility Customer Class Distinction Summary

Billing System Customer Class	COSA Customer Class	Annual Average Month Water Use	Winter Average Month Water Use	Annual Avg. over Winter Avg.
Residential	Residential	48,623 ccf	18,239 ccf	2.67
Multi Family	Multi Family	6,043 ccf	4,156 ccf	1.45
Duplex/Triplex	Multi Family	3,276 ccf	1,963 ccf	1.67
Commercial	Commercial	6,005 ccf	2,343 ccf	2.56
Large Commercial	Large Commercial	33,816 ccf	28,405 ccf	1.19
Hotel/Motel	Hotel/Motel	2,114 ccf	1,607 ccf	1.32
Home Business	Residential	207 ccf	66 ccf	3.13
School	Public Use	1,297 ccf	295 ccf	4.39
Mobile Home	Commercial	498 ccf	378 ccf	1.32
Room House	Multi Family	11 ccf	9 ccf	1.21
City Parks	Public Use	677 ccf	12 ccf	56.87

Based on the usage characteristics identified in **Exhibit 5.8**, the following customer classes are recommended in order to ensure that cost-of-service differences between the customers may be quantified in the following analysis and reflected in the proposed rates. Customer classes that are evaluated in the cost-of-service analysis are summarized below:

- **Residential.** This class includes both residential family and home business accounts. Winter average water usage best represents the flow contribution of these customers.
- **Multi Family.** This class includes multi family, duplex, and rooming house customers. Winter average water usage best represents the flow contribution of these customers.
- **Commercial.** This class includes commercial and mobile home accounts. Water meter readings best represent the flow contribution of these customers.
- **Large Commercial.** This class includes only large commercial accounts. Water meter readings best represent the flow contribution of these customers.
- **Public Use.** This class includes all school and city park accounts. Winter average water usage best represents the flow contribution of these customers.
- **Hotel/Motel.** This class includes only hotel/motel customer accounts. Water meter readings best represent the flow contribution of these customers.

V.C.4. Wastewater Customer Class Allocation

The following principles guide the allocation of the wastewater rate revenue requirement to the City's customer classes:

- **Customer Costs.** Because these costs do not vary based on sewer flow contribution, they are allocated to classes based on the number of customer accounts or dwelling units.
- **Flow Costs.** These costs are allocated to classes based on estimated sewer flow, defined as winter average water use for single family, multi family, and public use customers, and annual water use for all other customers.
- **TSS Costs.** These costs are allocated based on estimated TSS loadings for each customer class, using an assumed average TSS concentration of 200 mg/L for single-family and multi-family customers and an estimated concentration of 290 mg/L for commercial customers based on the difference between FY 2018 loads received at the WWTP and the assumed residential loadings.

This analysis uses projected customer counts and usage statistics to allocate the utility's costs to classes as described above. These statistics are based on FY 2018 billing data, which is adjusted for anticipated growth to project statistics for each year that rates are designed for.

Exhibit 5.9 summarizes the findings of the wastewater cost-of-service analysis for FY 2021, showing cost recovery under the existing rate structure for comparative purposes.

Exhibit 5.9: Summary of FY 2021 Wastewater Rate Revenue Requirement Allocations

Class	FY 2021 Revenue Under COS Rates		% of Revenue Under Existing Rates
	Amount ¹	% of Total	
Residential	\$2,187,474	34.0%	34.7%
Multi Family	829,057	12.9%	15.6%
Commercial	598,088	9.3%	5.1%
Large Commercial	2,499,805	38.8%	39.4%
Public Use	24,578	0.4%	1.0%
Hotel/Motel	296,098	4.6%	4.2%
Total	\$6,435,100	100.0%	100.0%

¹ Reflects projected FY 2021 rate revenue increase of 2.0% per **Exhibit 4.6**.

Exhibit 5.9 suggests that compared to their allocated cost of service, commercial and hotel/motel customers are underpaying, while all other customers are overpaying. General rate-setting best practice recommends avoiding abrupt changes to rates, rather allowing customers time to react as a utility phases to cost-of-service. To reach cost of service over a five-year period, the proposed phasing strategy includes one-time rate decreases for multi family and public use customers in FY 2021. Any further rate increases would be applied "across-the-board," or proportionately to all customer classes until the next rate review.

Exhibit 5.10 summarizes the phased COS rate strategy developed in this analysis:

Exhibit 5.10: Wastewater Rate Phase-in Strategy

Annual Wastewater Rate Increases	2021	2022	2023	2024	2025
Residential	3.00%	3.00%	3.00%	3.00%	3.00%
Multi Family	-3.00%	0.00%	0.00%	0.00%	0.00%
Commercial	17.00%	17.00%	17.00%	17.00%	17.00%
Large Commercial	6.00%	3.50%	3.50%	3.50%	3.50%
Public Use	-51.50%	0.00%	0.00%	0.00%	0.00%
Hotel/Motel	5.00%	5.00%	5.00%	5.00%	5.00%

While general rate-setting best practice avoids reducing rates which will subsequently need to be raised in the future, for the multi family and public use customer classes, the adjustments are such that a reduction in rates is necessary to reach cost-of-service within the rate-setting period through FY 2025.

At the completion of the phasing strategy shown in **Exhibit 5.10**, all customer classes will have reached their allocated cost of service. Any further rate increases would be applied “across-the-board”, or equally to all customer classes until the next rate review.

Section VI. RATE DESIGN

The final stage of the rate study is the design of rate structures that collect the appropriate revenue from each customer class, as determined by the cost-of-service phase-in strategy. This section documents the rate structures that were developed to meet the objectives of the City.

VI.A. OBJECTIVES

Several objectives were considered when designing rates for each utility:

- **Revenue Sufficiency.** Generate sufficient revenue to meet each utility's short and long-term revenue requirement independently.
- **Affordability.** Provide affordable water to low-use residential customers (e.g. seniors).
- **Revenue Stability.** Be able to control and predict revenue, regardless of external factors.
- **Understandability.** Keep rates simple to administer and explain to customers.

VI.B. EXISTING RATES

VI.B.1. Existing Water Rate Structure

The City's existing water rate structure charges each customer a fixed monthly fee based on the size of their meter, with higher charges for larger meters. Water usage is billed in units of 100 cubic feet (ccf). No distinctions are made between customer classes – all customers with the same meter size pay the same rates. **Exhibit 6.1** summarizes the existing rate structure.

Exhibit 6.1: Existing Water Rates

Fixed Monthly Charge	Per Month	Usage Charge	Per ccf
3/4"	\$29.44	All Usage	\$2.71
3/4" – Circuit Breaker	\$22.08		
1"	\$35.53		
1" – Circuit Breaker	\$26.64		
1 1/2"	\$76.13		
1 1/2" – Circuit Breaker	\$57.09		
2"	\$126.88		
2" – Circuit Breaker	\$95.16		
3"	\$223.30		
3" – Circuit Breaker	\$167.48		
4" standard or compound	\$324.80		
6" standard or compound	\$776.48		
8" standard or compound	\$1,086.05		

VI.B.2. Existing Wastewater Rate Structure

The City's existing wastewater rate structure is more complex than the water rate structure, with varying charges for each customer class. **Exhibit 6.2** summarizes the existing rate structure.

Exhibit 6.2: Existing Wastewater Rates

Wastewater Rate Structure	Per Month
Single residences, including mobile homes located on individual lots	\$46.30
Single residences – Circuit Breaker	\$34.73
Duplex and triplex residences, per unit	\$46.30
Duplex and triplex residences – Circuit Breaker	\$34.73
Apartment houses or similar types of multiple dwellings, per unit	\$46.30
Hotels, motels, mobile home parks, mobile home tourist facilities, and rooming houses:	
First unit	\$46.30
Each additional unit	\$33.50
Schools:	
Each month school not in session	\$56.35
Each month school in session, per 100 persons within the school facility	\$114.85
Home Occupation (residential and business)	\$47.00
Hospitals, laundromats, small industry, car washes, restaurants and taverns, and commercial establishments not otherwise designated in this section:	
Base Fee (1 to 1,000 cubic feet)	\$46.30
Each additional 100 cubic feet of water used	\$4.63
Businesses may, upon approval of the Public Works Department, install an effluent meter station to measure their actual effluent discharge:	
Each 1,000 cubic feet of metered effluent	\$46.30
Minimum monthly charge	\$52.50
Commercial establishments with no commercial kitchen or industrial water use:	\$46.30
Sewer districts, Nez Perce Tribe, other governmental agencies:	
Each 1,000 cubic feet of metered effluent	\$46.30
Minimum monthly charge	\$52.50

VI.C. COST GROUPING

The first step in designing rates is deciding how to balance revenue recovery between fixed monthly charges and consumption charges. For the water utility, the functions of service identified in the cost-of-service analysis are grouped into three main rate components or unit costs:

- **Account Charge.** The account charge is the basic charge per customer account, regardless of meter size.
- **Meter Charge.** The meter charge captures the difference in cost to provide water service to customers with larger meters. The meter charge creates the difference between the fixed monthly charges for 3/4" customers and 8" customers.

- **Consumption Charge.** The consumption or volume charge represents the cost per unit (ccf) of water used.

Because wastewater customers are not charged based on the size of their water meter, the wastewater utility's costs are grouped between account and flow (consumption) charges.

VI.C.1. Water Cost Grouping

The water utility's functions of service are grouped as follows:

- **Customer Costs.** Customer costs for each class are grouped in the account charge.
- **Meters & Services Costs.** Meters & services costs are grouped in the meter charge.
- **Base Demand Costs.** All base demand costs are grouped in the consumption charge.
- **Peak Demand Costs.** For most customer classes, all peak demand costs are grouped in the meter charge. The exception to this rule is the residential class, with about 2/3rds of its peak demand costs grouped in the meter charge and the remaining 1/3rd in the consumption charge.
- **Fire Costs.** Fire costs for each class are grouped in the account charge.

The cost groupings shown above represent a functional cost-based grouping of the system's costs. All customer costs are divided equally among the number of accounts served by the utility, just as they were in the cost-of-service analysis. Meters & services costs, which represent the incremental costs created by larger water meters, are recovered through a meter charge that is higher for those customers with larger meters. Because the City's water system has been sized to meet peak demands, it is logical to recover the peak demand costs in the meter charge, as the meter size is proportional to the maximum demand that account can place on the system. The consumption charge collects all base demand costs, tying recovery of these costs directly to the amount of water used by customers.

VI.C.2. Wastewater Cost Grouping

The wastewater utility's functions of service are grouped as follows:

- **Customer Costs.** Customer costs for each class are grouped in the account charge.
- **Flow Costs.** Flow costs are split evenly between the account and flow charges for most customer classes. The exception is the large commercial class, with 95% of its flow costs recovered in the flow charge. This ensures that large commercial customers, who by far use the largest amount of water per account, have an incentive to limit that usage.
- **Wastewater Strength-related Costs.** Costs proportional to wastewater strength are recovered entirely in the flow charge.

With the intent to move to a more standardized wastewater rate structure that charges all customer classes a fixed monthly charge and a charge for their assumed flow contribution, care was taken to ensure that the cost groupings provide the city with a reasonable mix between fixed monthly revenue and the more variable nature of revenue collected from flow charges. These cost groupings result in revenue collection that is split almost evenly between fixed and variable charges.

VI.D. PROPOSED WATER RATES

With the revenue requirement for each customer class grouped between the fixed monthly charges (account and meter charges), and the consumption charge, the next step is to determine the appropriate unit cost of each charge. The following example uses the commercial class to show how the unit costs are determined in FY 2021.

- **Account Charge.** A total of \$73,556 is grouped in the account charge for the commercial class. Dividing this cost among the 650 commercial customer accounts, then by 12 because these costs are recovered each month, generates a per account charge of \$9.42.
- **Meter Charge.** The \$290,652 grouped in the commercial class meter charge is divided by the number of meter capacity equivalents (MCEs) in the class. The MCE is a measure of the difference in maximum safe water flow capacity of a specific meter, indexed relative to a 3/4" meter. It is used to determine the cost-of-service difference between each meter size. For example, the City's 3/4" meters can provide a flow rate of 30 gallons per minute (gpm), while a 6" meter can provide 1,350 gpm. $1,350 / 30$ is a ratio of 45 to 1, and this ratio represents the number of MCEs for a single 6" water meter. In total, the commercial class has 1,315 MCEs, which generates a meter charge of \$18.42 per month per MCE.
- Continuing our example of 3/4" and 6" meters, this means that the fixed monthly charge for a 3/4" customer is the \$9.42 account charge plus the \$18.42 meter charge times the MCE factor for a 3/4" customer, which as the smallest meter served by the City is 1.0. Therefore, the total fixed monthly charge for a 3/4" commercial customer would be \$27.84. The 6" customer pays the same account charge, but its meter charge is multiplied by the 45.0 MCE factor for a 6" meter, leading to an overall fixed monthly charge of \$838.22 for a 6" commercial customer.
- **Consumption Charge.** The \$346,929 grouped in the commercial consumption charge is divided by the total water usage for the class, 124,119 ccf, to generate a per ccf charge of \$2.80.

Based on the City's input, it was determined that all customer classes should share the same consumption charge. By dividing the total amount of all costs grouped in the consumption charge by the total annual water usage of all customers, a per ccf rate of \$2.74 is calculated.

With a standard consumption charge for all customer classes, the fixed monthly charges for each class are adjusted based on the revenue surplus or deficit created by the difference between the individual class consumption unit cost and the overall consumption unit cost of \$2.74. For example, our cost grouping of the commercial class revenue requirement generates a commercial consumption charge of \$2.80 per ccf. Because the \$2.74 systemwide volume charge is lower than \$2.80, the City will collect less revenue in the commercial consumption charge than expected based on the original cost groupings. To bring the commercial class back to its allocated cost of service, the amount collected in the fixed monthly charges must be increased by the amount of this consumption revenue deficit. The net effect of this is an increase in the fixed monthly charges for commercial customers.

Exhibit 6.3 summarizes the proposed water rate structure for FY 2021, with the rates for each class set to collect the appropriate amount of revenue as determined by the phase-in strategy shown in **Exhibit 5.7**.

Exhibit 6.3: Proposed FY 2021 COS Phase-In Water Rates

	Residential	Multi Family	Commercial	Large Commercial	Irrigation	Public Use	Hotel/Motel
3/4 inch	\$29.44	\$28.87	\$28.33	\$27.98	\$36.55	\$29.18	\$29.25
1 inch	\$44.10	\$42.91	\$40.83	\$42.49	\$59.46	\$45.05	\$46.47
1 1/2 inch	\$80.76	\$78.00	\$72.07	\$78.76	\$116.71	\$84.71	\$89.51
2 inch	\$124.75	\$120.12	\$109.55	\$122.29	\$185.43	\$132.31	\$141.16
3 inch	\$264.05	\$253.48	\$228.25	\$260.13	\$403.01	\$283.03	\$304.72
4 inch	\$447.33	\$428.95	\$384.44	\$441.49	\$689.31	\$481.35	\$519.94
6 inch	\$997.19	\$955.38	\$853.00	\$985.57	\$1,548.19	\$1,076.32	\$1,165.58
8 inch	\$1,180.48	\$1,130.85	\$1,009.19	\$1,166.93	\$1,834.49	\$1,274.64	\$1,380.80
Per CCF	\$2.74	\$2.74	\$2.74	\$2.74	\$2.74	\$2.74	\$2.74

There are a number of benefits that the proposed rate structure will provide for the City. First, the rate structure will move more in line with the wastewater utility, differentiating between the different customer classes to recognize the differences in the cost of service for each class. On the other hand, the proposed structure moves away from the simplicity of the City's existing rates, which may cause some administrative challenges. The planned phase-in of the cost-of-service shifts provides both benefits and risks, as it provides a natural progression towards cost of service that will limit the impact to a class in any one year but will also create an ongoing communications challenge for staff.

VI.E. PROPOSED WASTEWATER RATES

With the revenue requirement for each customer class grouped between the account charge and the flow charge, the next step is to determine the appropriate unit cost of each charge. The same approach that is used for the water rates is also used for the wastewater rates, but without the meter charge the process is much simpler. All account charge costs for each class are divided up amongst the number of accounts, or dwelling units for multi-family and hotel/motel, to determine the fixed monthly charges. The flow costs for each class are divided by the appropriate indicator of flow contribution: total annual water usage for commercial, large commercial, and hotel/motel and winter average water usage for residential, multi family, and public use.

Like the water utility, the City preferred that the flow charge be consistent for wastewater. However, rather than have a uniform charge for all classes, the multi family, public use, and hotel/motel classes were all tied to the flow charge for the residential class. The commercial and large commercial classes maintain their own unique flow charges.

Exhibit 6.4 summarizes the proposed wastewater rate structure for FY 2021, with the rates for each class set to collect the appropriate amount of revenue as determined by the phase-in strategy shown in **Exhibit 5.10**.

Exhibit 6.4: Proposed FY 2021 COS Phase-In Wastewater Rates

	Residential	Multi Family	Commercial	Large Commercial	Public Use	Hotel/Motel
Fixed Charge	\$33.18	\$31.73	\$29.62	\$57.48	\$135.20	\$25.39
Charge Basis	Per Account	Per Unit	Per Account	Per Account	Per Account	Per Unit
Per ccf	\$3.12	\$3.12	\$1.87	\$4.63	\$3.12	\$3.12
Charge Basis	WQA	WQA	Total Use	Total Use	WQA	Total Use

The rate structure shown in **Exhibit 6.4** provides a number of benefits when compared to the City's existing rate structure. These rates represent the first step towards cost-of-service, with each additional year of the phase-in strategy bringing the City's rates closer to the calculated cost of service. The number of distinct customer classes has been reduced from nine to six. In addition, each class is now charged under the same general rate structure, with all customers paying a fixed monthly charge plus a charge based on their estimated sewer flow contribution. This fixed and variable rate structure conforms with EPA guidelines and industry best practices. However, it is important to note the drawbacks of the proposed schedule. Because this structure adds a volume charge for customers who had previously been paying only a fixed rate, the City may face challenges incorporating this process into their existing billing system. Furthermore, the process of phasing into cost of service may provide a challenge for the City, as they will have to communicate why certain customer class rates are increasing more than others.

VI.F. PROPOSED SANITATION RATES

The proposed annual sanitation rate adjustments identified in **Section IV Revenue Requirement** would be applied to all sanitation customers. **Exhibit 6.5** and **Exhibit 6.6** summarize the proposed FY 2021 sanitation rates for residential and commercial customers respectively.

Exhibit 6.5: Proposed FY 2021 Residential Sanitation Rates

Sanitation Service	FY 2021 Monthly Rate
32 Gallon Cart Service	\$14.08
32 Gallon Cart Rent	\$0.87
32 Gallon Cart Service - Circuit Breaker	\$8.48
32 Gallon Cart Rent - Circuit Breaker	\$0.87
64 Gallon Cart Service	\$21.74
64 Gallon Cart Rent	\$1.00
64 Gallon Cart Service - Circuit Breaker	\$16.31
64 Gallon Cart Rent - Circuit Breaker	\$1.00
96 Gallon Cart Service	\$27.29
96 Gallon Cart Rent	\$0.74
96 Gallon Cart Service - Circuit Breaker	\$20.47
96 Gallon Cart Rent - Circuit Breaker	\$0.74
Minimum Account Charge	\$14.08
Recycling Service Market Adjustment	\$2.20
Yard Waste Cart Service	\$0.22

Exhibit 6.6: Proposed FY 2021 Commercial Sanitation Rates

Container Size	Rent per Month	1 Pickup per Week	2 Pickups per Week	3 Pickups per Week	4 Pickups per Week	5 Pickups per Week	6 Pickups per Week
1 CY	\$18.70	\$82.76	\$152.83	\$226.33	\$327.72	\$414.24	\$507.71
2 CY	\$24.92	\$127.75	\$233.22	\$343.85	\$496.41	\$626.64	\$766.11
3 CY	\$31.15	\$184.88	\$333.93	\$503.10	\$729.68	\$935.77	\$1,161.12
4 CY	\$37.39	\$205.59	\$398.15	\$659.87	\$972.95	\$1,254.30	\$1,557.72
6 CY	\$43.62	\$289.27	\$554.10	\$920.86	\$1,349.98	\$1,805.94	\$2,252.33
8 CY	\$62.31	\$370.56	\$723.97	\$1,206.85	\$1,852.86	\$2,520.71	\$3,175.01

User Fees

Utility Rate Update Presentation (2024)



In Spring 2024, the City contracted with FCS Group (FCS), author of the 2020 study, to deliver updated projections for water and wastewater rates; sanitation was not included in this request.

During the May 2024 Work Session, FCS presented their preliminary findings to the City Council:

- Water: rate increase of 35% from 2025 to 2026 based on a projected need for a large influx of capital to complete the Water Intake Project.

This recommendation was a central point of discussion. FCS was directed to provide a revised recommendation after removing the Water Intake Project (see the "User Fees: Updated Proposal for FY25 Water Rates" packet).

- Wastewater: rate increase of 5% from 2025 to 2027, then 4% from 2028 to 2030.

City Council later adopted Resolution 2024-21, implementing a rate increase of 5% to wastewater rates in Fiscal Year 2025.

Reference	Title	Author	Page Count
Presentation	Utility Rate Update	FCS Group	11 pages



Utility Rate Update

John Ghilarducci
Doug Gabbard

May 13, 2024



Agenda

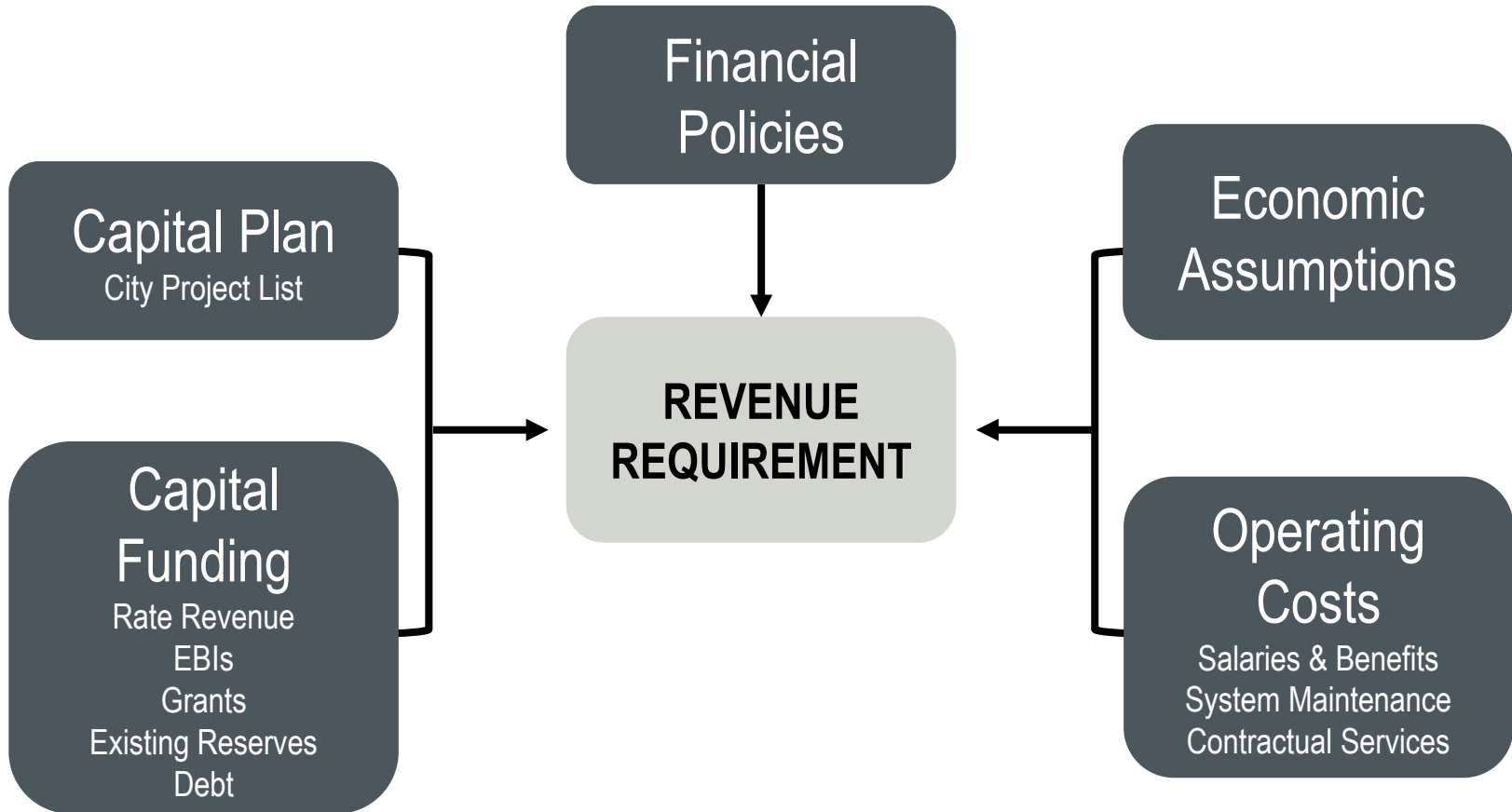
- **Study Purpose and Elements**
- **Water**
 - » Rate recommendations
 - » Cash flow forecast
 - » Capital expenditures
- **Wastewater**
 - » Rate recommendations
 - » Cash flow forecast
 - » Capital expenditures



Study Purpose

- **Current year check-up**
 - » Selective update of existing water and wastewater rate models
 - Fund balances
 - Operating budget (revenues and expenditures)
 - Existing debt service
 - Planned capital expenditures (and any offsetting resources)
- **Future comprehensive rate update**
 - » Post-master plan updates
 - » Full recalculation of water and wastewater revenue requirements
 - » Full recalculation of water and wastewater equity buy-in (EBI) fees

Study Elements





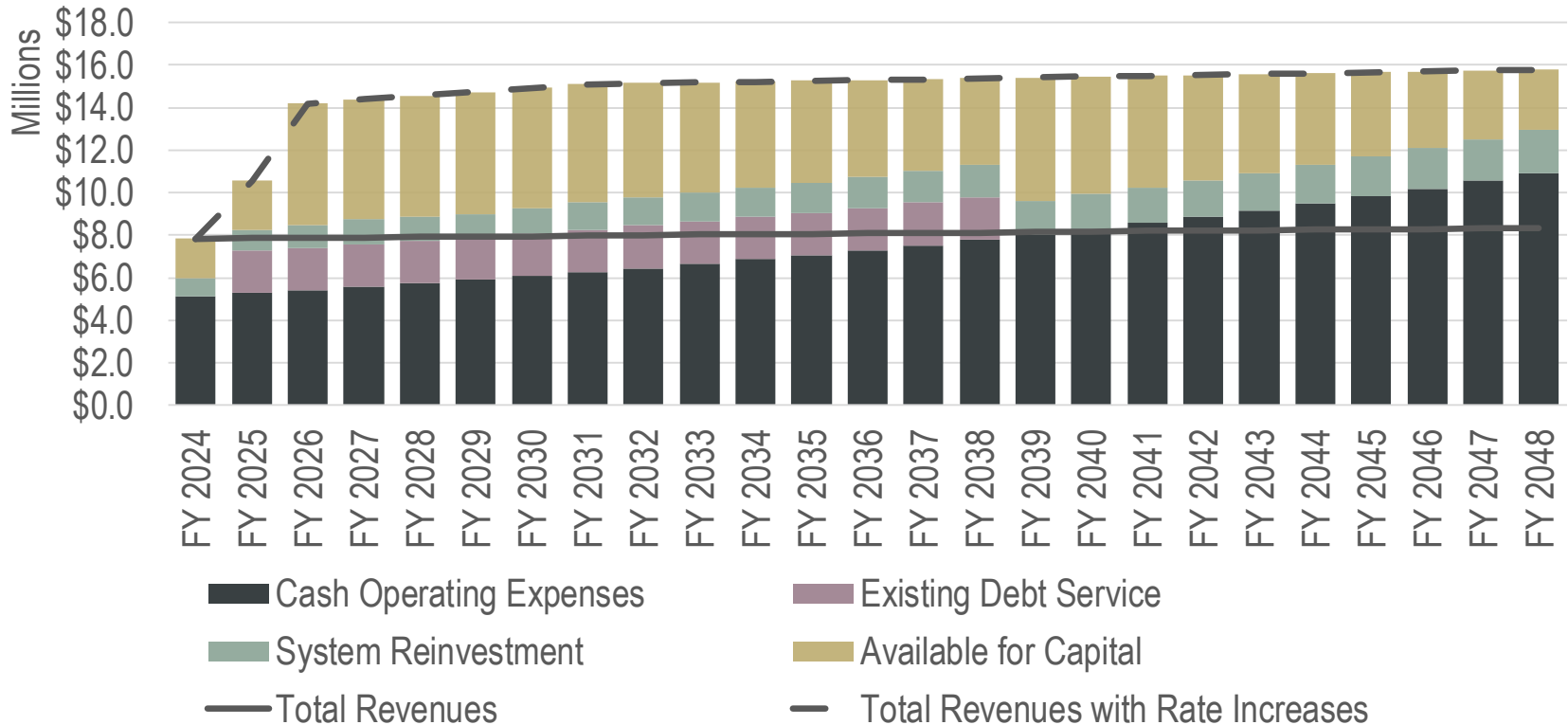
Water – Rate Recommendations

Implementation	10/1/2023	10/1/2024	10/1/2025	10/1/2026	10/1/2027	10/1/2028	10/1/2029
Recommended Rate Schedule	ATB 2024	ATB 2025	ATB 2026	ATB 2027	ATB 2028	ATB 2029	ATB 2030
Annual System-Wide Rate Increase	0.00%	35.00%	35.00%	1.00%	1.00%	1.00%	1.00%
Fixed Charge By Meter Size:							
3/4 inch	\$ 35.45	\$ 47.86	\$ 64.61	\$ 65.25	\$ 65.91	\$ 66.57	\$ 67.23
1 inch	\$ 42.77	\$ 57.74	\$ 77.95	\$ 78.73	\$ 79.52	\$ 80.31	\$ 81.11
1 1/2 inch	\$ 91.65	\$ 123.73	\$ 167.03	\$ 168.70	\$ 170.39	\$ 172.09	\$ 173.81
2 inch	\$ 152.74	\$ 206.20	\$ 278.37	\$ 281.15	\$ 283.96	\$ 286.80	\$ 289.67
3 inch	\$ 268.81	\$ 362.89	\$ 489.91	\$ 494.81	\$ 499.75	\$ 504.75	\$ 509.80
4 inch	\$ 390.99	\$ 527.84	\$ 712.58	\$ 719.71	\$ 726.90	\$ 734.17	\$ 741.51
6 inch	\$ 934.75	\$ 1,261.91	\$ 1,703.58	\$ 1,720.62	\$ 1,737.82	\$ 1,755.20	\$ 1,772.75
8 inch	\$ 1,307.39	\$ 1,764.98	\$ 2,382.72	\$ 2,406.55	\$ 2,430.61	\$ 2,454.92	\$ 2,479.47
Volume Charge:							
All Usage	\$ 3.26	\$ 4.40	\$ 5.95	\$ 6.01	\$ 6.07	\$ 6.13	\$ 6.19



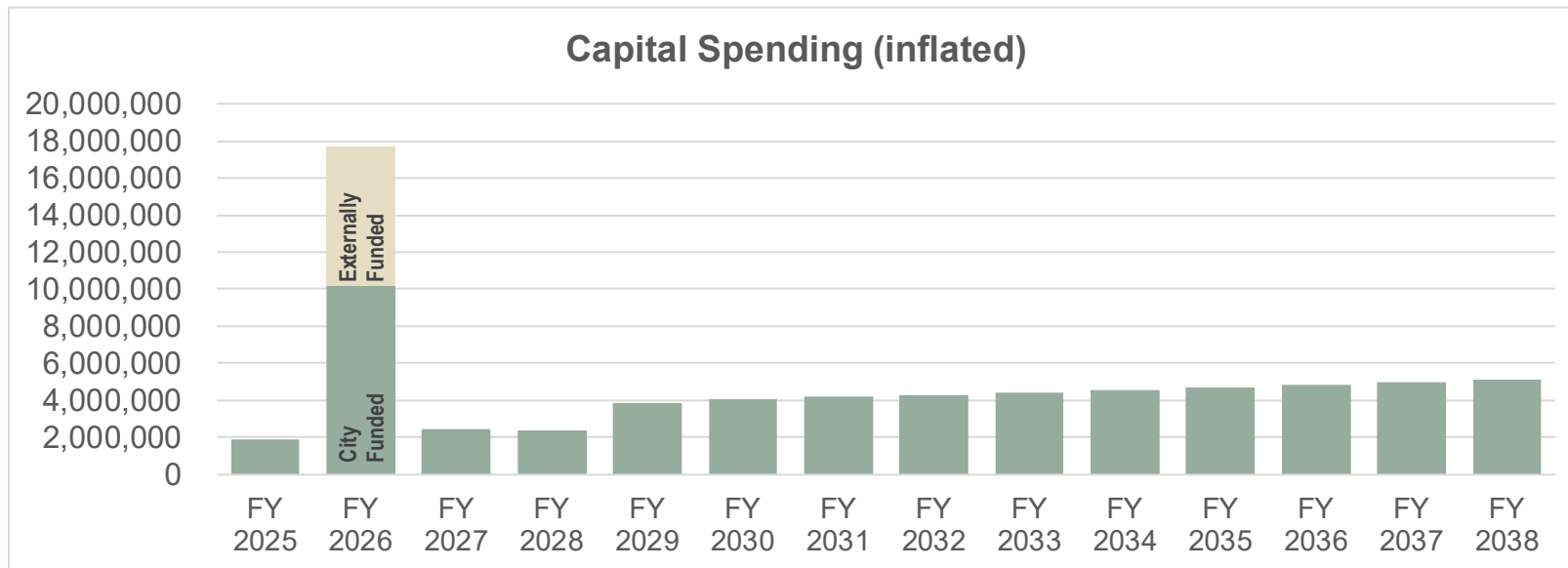
Water – Cash Flow Forecast

Revenue Requirement Forecast





Water – Capital Expenditures



Capital Expenditures in FYE September 30, 2026

Retrofit and Upgrade Existing Primary Permanent Surface Water Intake (Site C)	\$	16,000,000
High System Transmission Replacement Main Project		624,800
Short-lived Asset Replacement		1,000,000
Rolling Stock Replacement		56,000
Gross capital expenditures		17,680,800
Less ARPA and 595 funds		(7,500,000)
Net capital expenditures	\$	<u>10,180,800</u>



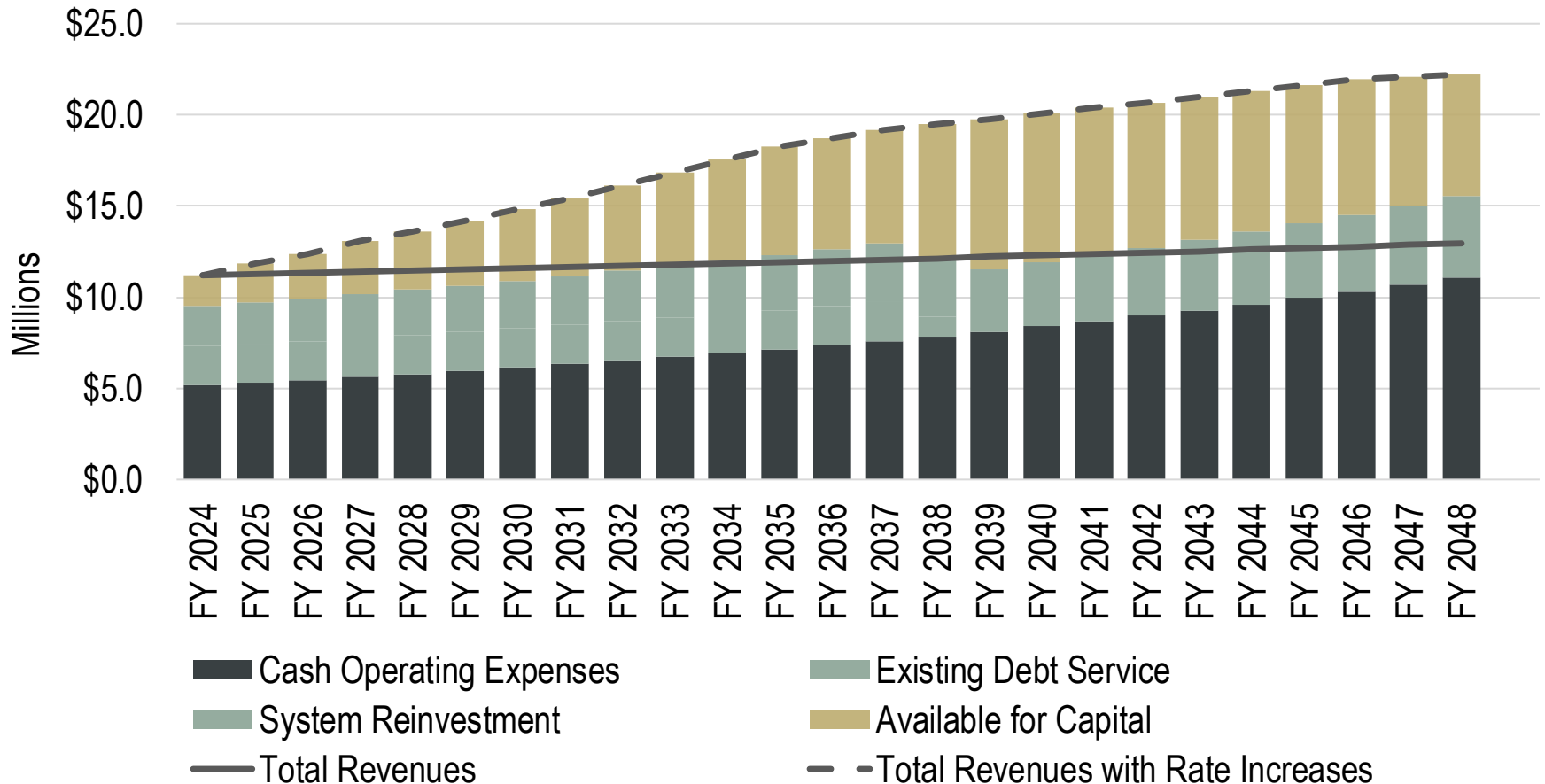
Wastewater – Rate Recommendations

	Implementation	10/1/2023	10/1/2024	10/1/2025	10/1/2026	10/1/2027	10/1/2028	10/1/2029
Recommended Rate Schedule	ATB 2024	ATB 2025	ATB 2026	ATB 2027	ATB 2028	ATB 2029	ATB 2030	
Annual System-Wide Rate Increase	0.00%	5.00%	5.00%	5.00%	4.00%	4.00%	4.00%	
<u>Fixed Charge By Meter Size:</u>								
Single residences, including mobile homes located on individual lots	\$ 49.61	\$ 52.09	\$ 54.70	\$ 57.43	\$ 59.73	\$ 62.12	\$ 64.60	
Single residences – Circuit Breaker	\$ 37.21	\$ 39.07	\$ 41.02	\$ 43.08	\$ 44.80	\$ 46.59	\$ 48.45	
Duplex and triplex residences, per unit	\$ 49.61	\$ 52.09	\$ 54.70	\$ 57.43	\$ 59.73	\$ 62.12	\$ 64.60	
Duplex and triplex residences – Circuit Breaker	\$ 37.21	\$ 39.07	\$ 41.02	\$ 43.08	\$ 44.80	\$ 46.59	\$ 48.45	
Apartment houses or similar types of multiple dwellings, per unit	\$ 49.61	\$ 52.09	\$ 54.70	\$ 57.43	\$ 59.73	\$ 62.12	\$ 64.60	
Hotels, motels, mobile home parks, mobile home tourist facilities:								
First unit	\$ 49.61	\$ 52.09	\$ 54.70	\$ 57.43	\$ 59.73	\$ 62.12	\$ 64.60	
Each additional unit	\$ 35.90	\$ 37.70	\$ 39.58	\$ 41.56	\$ 43.22	\$ 44.95	\$ 46.75	
Rooming houses:								
First unit	\$ 49.61	\$ 52.09	\$ 54.70	\$ 57.43	\$ 59.73	\$ 62.12	\$ 64.60	
Each additional unit	\$ 35.90	\$ 37.70	\$ 39.58	\$ 41.56	\$ 43.22	\$ 44.95	\$ 46.75	
Schools:								
Each month school not in session	\$ 60.38	\$ 63.40	\$ 66.57	\$ 69.90	\$ 72.69	\$ 75.60	\$ 78.63	
Each month school in session, per 100 persons within the school facility	\$ 123.07	\$ 129.22	\$ 135.68	\$ 142.47	\$ 148.17	\$ 154.09	\$ 160.26	
Home Occupation (residential and business)	\$ 50.36	\$ 52.88	\$ 55.52	\$ 58.30	\$ 60.63	\$ 63.06	\$ 65.58	



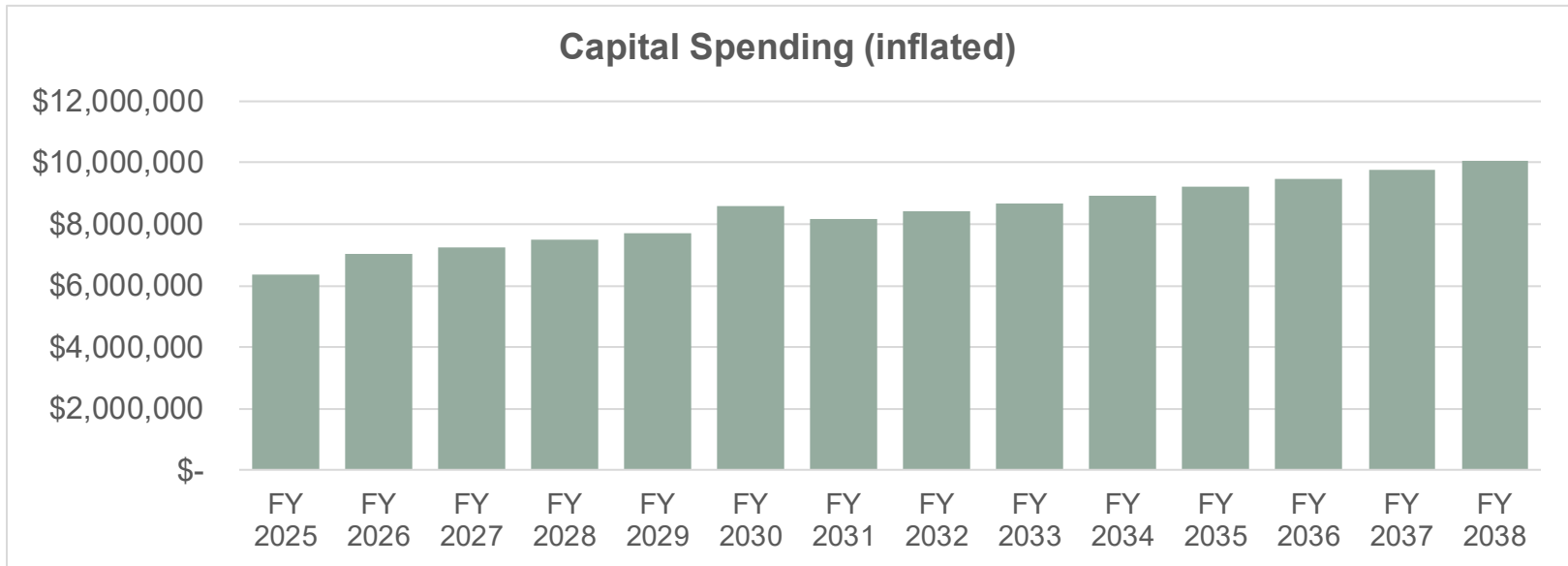
Wastewater – Cash Flow Forecast

Revenue Requirement Forecast





Wastewater – Capital Expenditures



Questions?

John Ghilarducci, Principal

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JohnG@fcsgroup.com

Doug Gabbard, Project Manager

503-374-1707

DougG@fcsgroup.com

www.fcsgroup.com

User Fees

Updated Proposal for FY25 Water Rates (2024)



As a result of the May 2024 Work Session, FCS Group (FCS) was directed to provide a revised recommendation by removing the Water Intake Project. The removal of this project scaled the rate recommendation from a 35% increase for 2025 and 2026 to a 10% increase for 2025 to 2027.

- The Water Intake Project was subsequently broken into two (2) separate projects. Phase I is currently under construction and utilizes funds outside of user fees. Phase I will complete all the in-water work but will not be functional until the completion of Phase II.

City Council later adopted Resolution 2024-20, implementing a rate increase of 10% to water user fees for Fiscal Year 2025 based on FCS Group’s updated proposal.

Reference	Title	Author	Page Count
Table	Updated 2025 Water Rate Structure	FCS Group	I page

User Fees

Sanitation Utility Update (2022)



In 2022, the City contracted with FCS Group (FCS), author of the 2020 study, to deliver updated projections for sanitation rates; water and wastewater were not included in this request.

- Part of the scope included analyzing the impact of eliminating the \$2.10 recycling surcharge (charged per account, per month). This surcharge was created at a time when the recycling commodities market was low and the cost of providing recycling services was draining the Sanitation Fund's reserves.

By 2022, the recycling commodities market had stabilized and the surcharge could be reduced or eliminated entirely.

- FCS delivered three (3) options for recommended sanitation rate adjustments:
 - Option A: elimination of the recycling surcharge and a rate increase of 2% from 2023 to 2027.
 - Option B: elimination of the recycling surcharge and a rate increase of 0% for 2023, then 2.75% from 2024 to 2027.
 - Option C: retain the recycling surcharge and a rate increase of 0% from 2023 to 2024, then 2.00% from 2025 to 2027.

Staff prepared the rate resolution for Fiscal Year 2023 based on Option A. City Council later adopted Resolution 2022-32, implementing a rate increase of 2% and eliminating the recycling surcharge.

City Council adopted a rate increase of 0% for Fiscal Year 2024 (Resolution 2023-55) and a rate increase of 2% for Fiscal Year 2025 (Resolution 2024-22).

Reference	Title	Author	Page Count
Presentation	City of Lewiston – 2022 Sanitation Utility Update	FCS Group	5 pages

City of Lewiston | 2022 Sanitation Utility Update

Revenue Requirement Update and Review

July 11, 2022

Microsoft Teams Meeting

City Participants	FCS GROUP Participants
» Dustin Johnson » Wendy LaVoie » Haley Kelley	» Matt Hobson

OVERVIEW / OBJECTIVES OF MEETING

- Review rate impact of eliminating the recycling surcharge (\$2.10 per account per month)
- Estimate impact on garbage rates by increasing the rate for additional yard waste service
- General feedback to improvements to City rate sheet (TBD)

FINANCIAL FORECAST ASSUMPTIONS

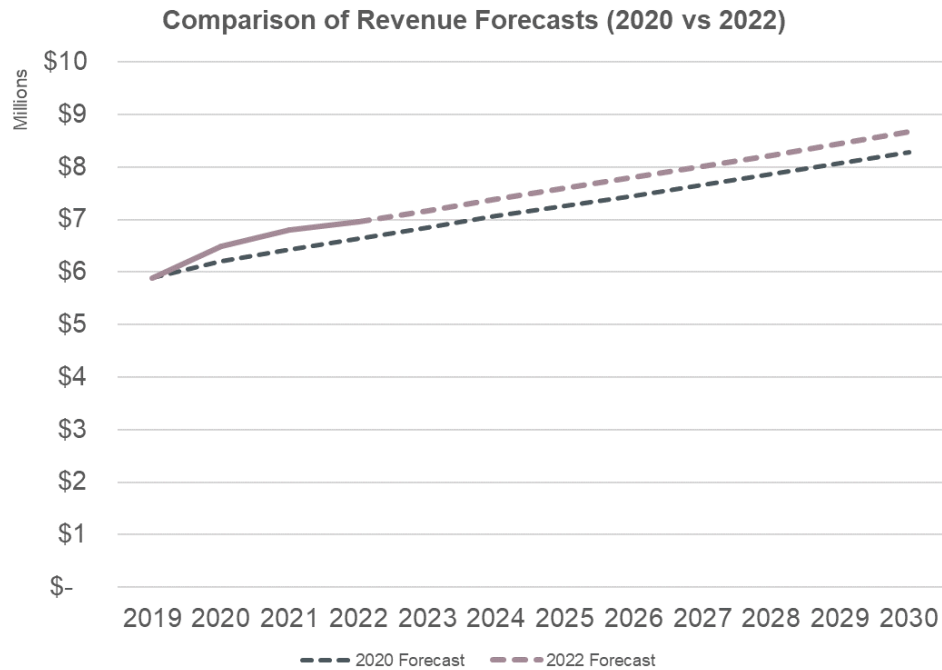
15 Mins

- Revenue forecast includes FY 2020, FY 2021, and FY 2022 approved rate increases
- Collection contract updated to reflect annual and contract amendment:
 - » FY 2021 Adjustments
 - » FY 2022 October 1st to December 1st adjustments
 - » FY 2022 December 1st to September 30th adjustments
 - Assumes recycling contract adjustment of \$2.10 per customer month in perpetuity
 - » FY 2023: 6.60% increase to all contractor rates
 - » FY 2024-FY 2025: 3.26% increase (assumes 4.00% chained CPI and 4.00% Diesel PPI)
 - » FY 2026-FY 2030: 1.79% increase (assumes 2.00% chained CPI and 4.00% Diesel PPI)
- General cost, labor cost, and benefit cost inflation based on original study at 2.21%, 2.00%, and 7.00% respectively. Cost escalation based on FY 2022 adopted budget.
- Admin/Internal services decreased from \$769,728 in FY 2021 to \$520,940 in FY 2022 Budget
- Minimum operating reserve based on the equivalent of 30 days operating expenses (\$0.5 million)

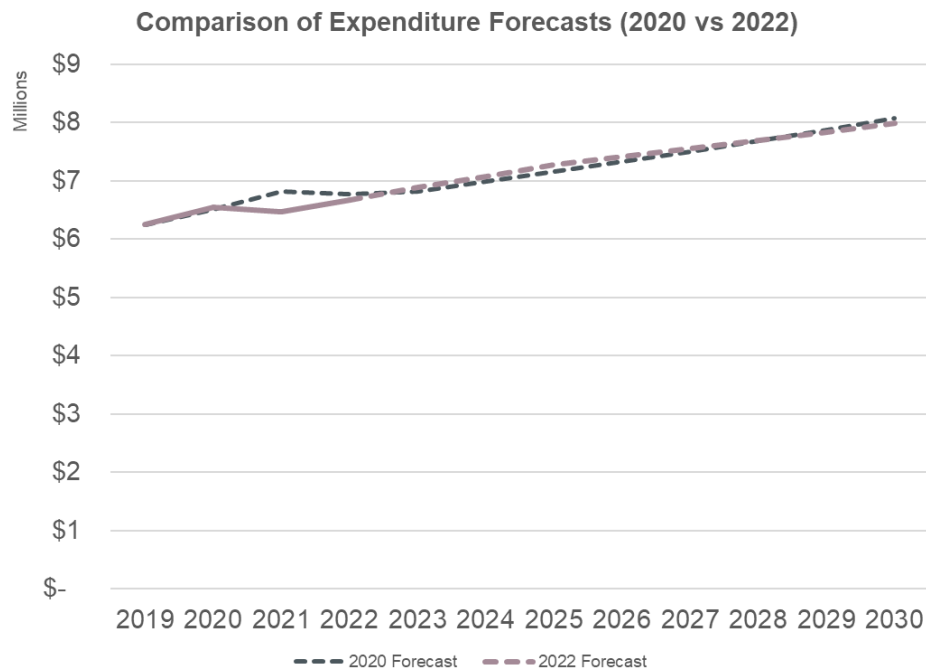
COMPARISON OF REVENUE REQUIREMENT RESULTS

15 Mins

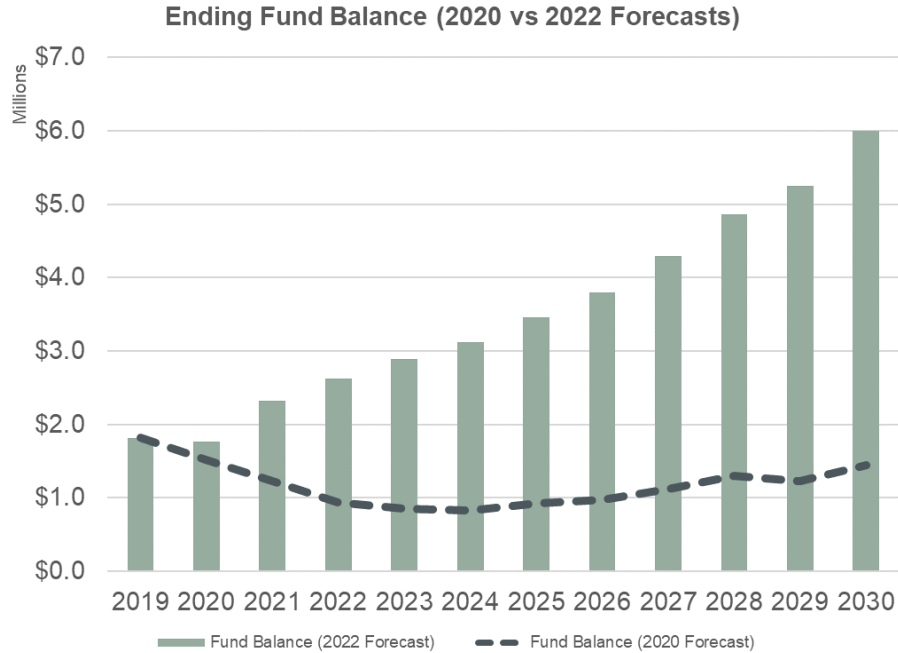
- Revenue



- Expenses



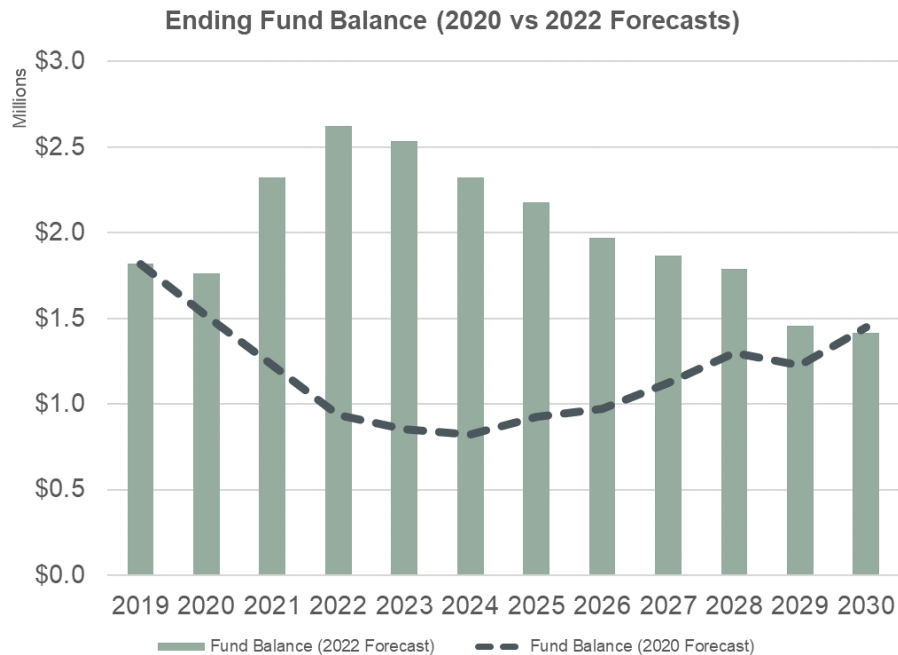
- Ending Fund Balance



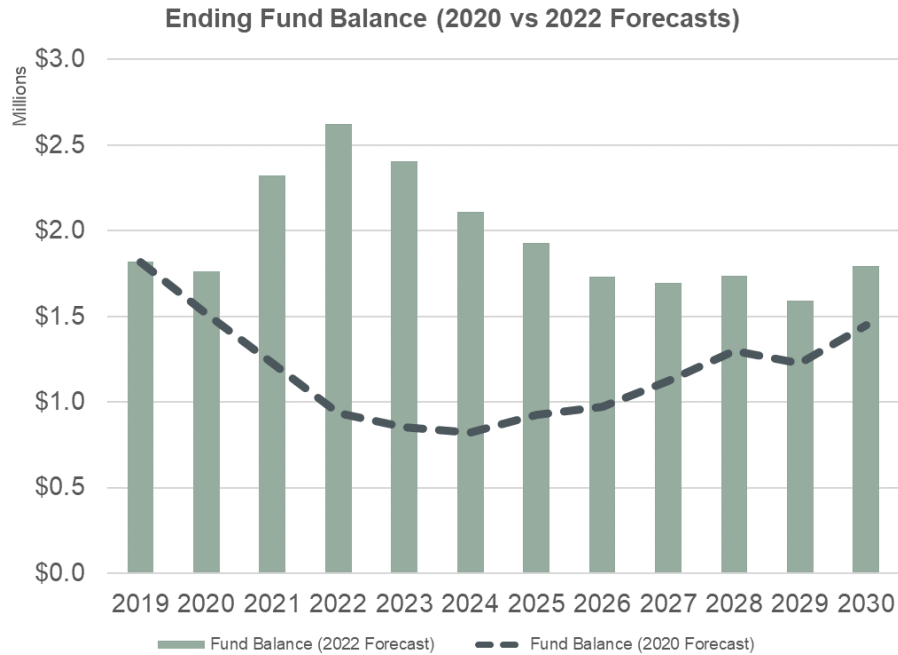
RATE OPTIONS FOR CONSIDERATIONS

15 Mins

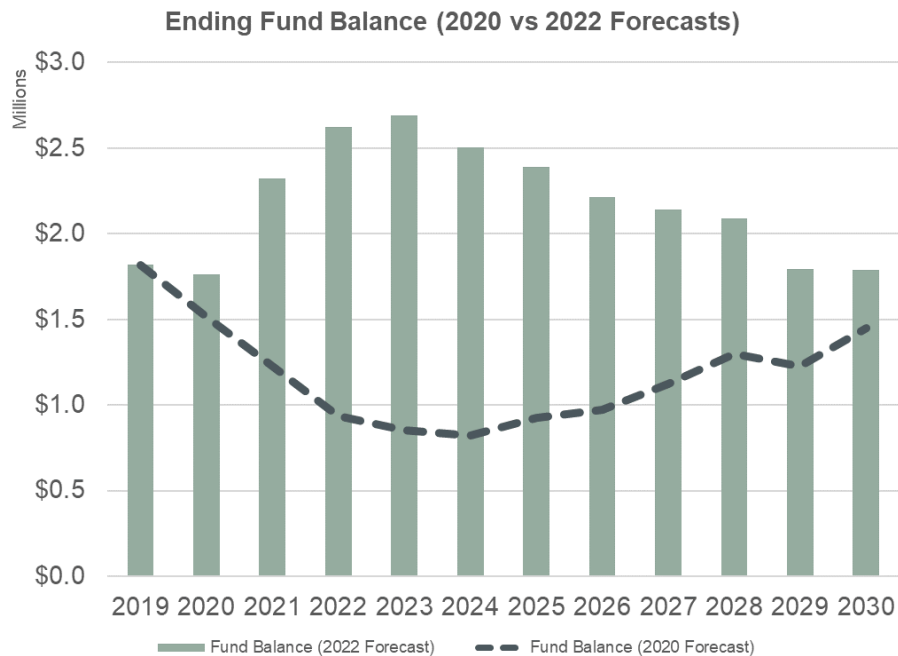
- Option #1: Eliminate recycling surcharge and increase all other rates by 2.00% each year beginning in FY 2023



- Option #2: Eliminate recycling surcharge in FY 2023 and increase all other rates by 2.75% beginning FY 2024



- Option #3: Retain recycling surcharge and increase all rates (including surcharge) by 2.00% each year beginning in FY 2025.



- Sensitivity Analysis: If chained CPI and diesel PPI increase at 5.00% annually, add 1.25 percentage points to rate options.

● Summary of Options

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Option A (no recycling surcharge)	2.00%	2.00%	2.00%	2.00%	2.00%
Option B (no recycling surcharge)	0.00%	2.75%	2.75%	2.75%	2.75%
Option C (includes recycling surcharge)	0.00%	0.00%	2.00%	2.00%	2.00%

	2022	2023	2024	2025	2026	2027
Option A		2.00%	2.00%	2.00%	2.00%	2.00%
96-Gallon Garbage Cart	\$ 27.63	\$ 28.18	\$ 28.74	\$ 29.31	\$ 29.90	\$ 30.50
Recycling Service Market Adjustment	2.10					
Yard Waste Cart Program	0.49	0.50	0.51	0.52	0.53	0.54
New Yard Waste Cart	0.22	0.22	0.22	0.22	0.22	0.22
Total	\$ 30.44	\$ 28.90	\$ 29.47	\$ 30.05	\$ 30.65	\$ 31.26
Option B		0.00%	2.75%	2.75%	2.75%	2.75%
96-Gallon Garbage Cart	\$ 27.63	\$ 27.63	\$ 28.39	\$ 29.17	\$ 29.97	\$ 30.79
Recycling Service Market Adjustment	2.10					
Yard Waste Cart Program	0.49	0.49	0.50	0.51	0.52	0.53
New Yard Waste Cart	0.22	0.22	0.23	0.24	0.25	0.26
Total	\$ 30.44	\$ 28.34	\$ 29.12	\$ 29.92	\$ 30.74	\$ 31.58
Option C		0.00%	0.00%	2.00%	2.00%	2.00%
96-Gallon Garbage Cart	\$ 27.63	\$ 27.63	27.63	28.18	28.74	29.31
Recycling Service Market Adjustment	2.10	2.10	2.10	2.14	2.18	2.22
Yard Waste Cart Program	0.49	0.49	0.49	0.50	0.51	0.52
New Yard Waste Cart	0.22	0.22	0.22	0.22	0.22	0.22
Total	\$ 30.44	\$ 30.44	\$ 30.44	\$ 31.04	\$ 31.65	\$ 32.27
Option 1A: Yard Waste Rate Increase Only		93.35%	102.00%	51.50%	34.68%	26.26%
96-Gallon Garbage Cart	\$ 27.63	\$ 27.63	\$ 27.63	\$ 27.63	\$ 27.63	\$ 27.63
Recycling Service Market Adjustment	2.10					
Yard Waste Cart Program	0.49	0.95	1.92	2.91	3.92	4.95
New Yard Waste Cart	0.22	0.22	0.22	0.22	0.22	0.22
Total	\$ 30.44	\$ 28.80	\$ 29.77	\$ 30.76	\$ 31.77	\$ 32.80

User Fees

Stormwater Drainage System User Fees (2023)



On August 1, 2022, staff provided City Council with the “Stormwater Utility Rate Options” diagram based on the “Stormwater User Fee Study” by Aspect Consulting, LLC, an update to the Stormwater Capital Improvement Plan (CIP), and compliance with the Municipal Separate Storm Sewer System (MS4) Permit. City Council directed staff to proceed with the utility rate that would ensure full MS4 Permit compliance and full Capital funding (see “Stormwater Utility Rate Options” diagram, Option 6).

On June 12, 2023, City Council adopted Ordinance No. 4882, establishing a Stormwater Drainage System Utility with two service areas and granting the City authority to collect user fees for stormwater drainage system services.

In August 2023, City Council elected to adopt a reduced rate structure which ensured full MS4 Permit compliance and half Capital funding (see “Stormwater Utility Rate Options” diagram, Option 4).

Since user fees went into effect on January 1, 2024 (Resolution 2023-50), the City Council has not adjusted the rates:

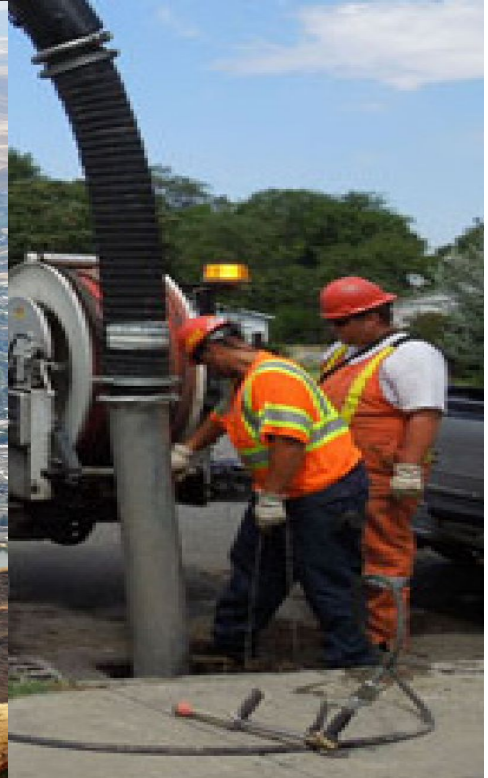
- Service Area 1: \$7.40 per Equivalent Residential Unit (ERU)
- Service Area 2: \$5.70 per Equivalent Residential Unit (ERU)

Reference	Title	Author	Page Count
Presentation	Public Hearing Ordinance 4882	Public Works	7 pages



Public Hearing Ordinance 4882

Stormwater Drainage User Utility





Recent overview of Stormwater in Lewiston

- **November 2020** – Issued MS4 Permit.
- **March 2021** – Council Adopts Stormwater Masterplan.
- **April 2022** – User Fee Study adopted by Council.
- **August 2022** – Council directs staff to move forward with draft stormwater utility rate.
- **Fall 2022** – Staff meets with impacted public agencies and coordinates efforts to create stormwater utility.
- **January 2023** – Council informally directs staff to adopt full stormwater utility rate from rate study.
- **May 1, 2023** – Review of Stormwater Drainage Ordinance.
- **May 22, 2023** – 1st Reading of Stormwater Drainage Ordinance.



Ordinance No. 4882: Stormwater Drainage System

- What is it?
- Why now?
- When will this take affect?

DRAFT – 04.18.23

ORDINANCE NO. 4882

AN ORDINANCE OF THE CITY OF LEWISTON REPEALING CHAPTER 36, ARTICLE IV OF THE LEWISTON CITY CODE; ENACTING A NEW ARTICLE IV TO CHAPTER 36 OF THE LEWISTON CITY CODE, WHICH ARTICLE ESTABLISHES A SYSTEM OF STORMWATER DRAINAGE SYSTEM USER FEES TO FUND THE PROVISION OF PROPRIETARY STORMWATER SERVICES BY THE CITY TO PROPERTY OWNERS WITHIN THE CITY'S JURISDICTION, APPROVES ADMINISTRATION OF THE USER FEE SYSTEM, AUTHORIZES STORMWATER USER FEES AND ESTABLISHES A PROCESS FOR PROPERTY OWNERS TO APPEAL THE AMOUNT OF THE FEE, REQUIRES THAT STORMWATER USER FEE REVENUE BE KEPT SEPARATE FROM THE GENERAL FUND AND SPENT ONLY ON STORMWATER DRAINAGE SYSTEM COSTS, AND ESTABLISHES ENFORCEMENT PROVISIONS AND PENALTIES FOR NON-PAYMENT OF FEES; AMENDING VARIOUS SECTIONS OF CHAPTER 36.5 OF THE LEWISTON CITY CODE RELATED TO CITY SERVICES BILLING AND COLLECTION OF UTILITY CHARGES; REPEALING ALL ORDINANCES AND PARTS OF ORDINANCES IN CONFLICT HERewith; PROVIDING THAT THE PROVISIONS OF THIS ORDINANCE BE DEEMED SEVERABLE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, after a public hearing regarding the provisions of this ordinance held on

_____, 2023, the Mayor and City Council make the following findings:

A. Authority

The City of Lewiston ("City") has authority to:

1. Sue and be sued; contract and be contracted with; accept grants-in-aid and gifts of property, both real and personal, in the name of the City; acquire, hold, lease, and convey property, real and personal; have a common seal, which the City may change and alter at pleasure; erect buildings or structures of any kind, needful for the uses or purposes of the City; and exercise all powers and perform all functions of local self-government in City affairs as are not specifically prohibited by or in conflict with the general laws or the constitution of the State of Idaho, pursuant to Idaho Code § 50-301 (Corporate and local self-government powers).



Ordinance No. 4882: Overview

- Outlines the necessity and legal authority.
- Compliance to Lewiston Independent School Dist. No. 1 vs. City of Lewiston.
- Creates Stormwater Division and defines Stormwater User Fee.
- Defines Stormwater Fund, Expenditures, Billing, and Payment.

Moving forward

Schedule

- Adoption of the Stormwater Ordinance
- Continue public outreach efforts
- Establish rates
- Current expected roll-out is January 1, 2024



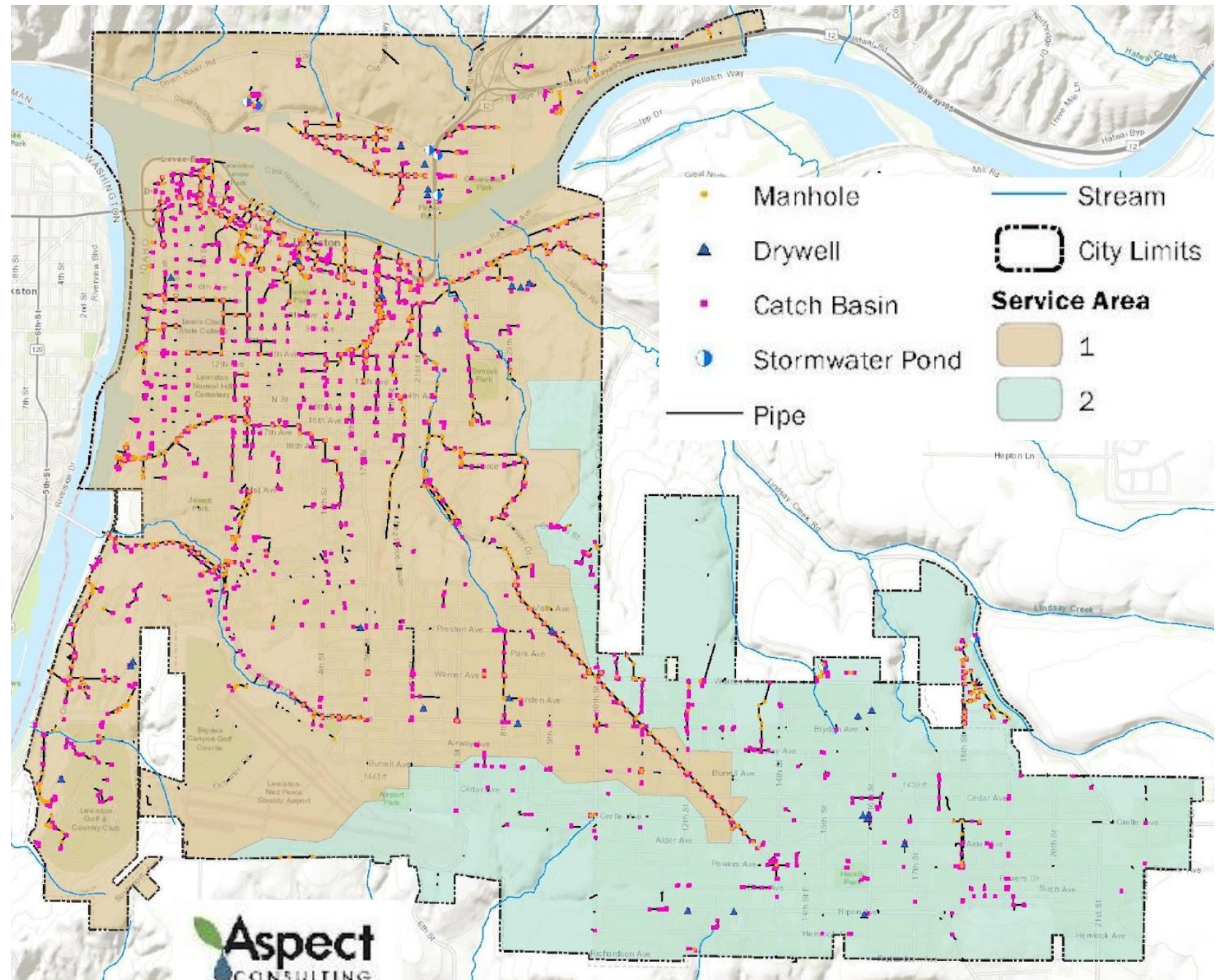
How is the monthly cost calculated?

ERU = Equivalent Residential Unit

ERU for Lewiston is 4,500 sq. ft.
of impervious surface area (ISA)

ISA includes roofs, driveways, patios, etc. which cannot absorb water

1 Single Family Home = 1
ERU/month (regardless of size)





Stormwater Utility Rate Options

	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
	“No Change”	“Rearrange Chairs”	Quarter Capital	Half Capital	2/3 Capital	Full Capital
Years to complete 5-Year Project List in Master Plan		40 years	25-30 years	10 years	8 years	5 years
Service Area 1 Cost/ERU	\$0	\$2.40	\$5.70	\$7.40	\$8.50	\$10.60
Service Area 2 Cost/ERU	\$0	\$2.00	\$4.70	\$5.70	\$6.40	\$7.75
% Capital		12%	25%	50%	67%	100%
% Compliance		22%	100%	100%	100%	100%
City’s Expense per year from Property Taxes	\$644,090	\$111,000 (Estimated)	\$270,000 (Estimated)	\$340,000 (Estimated)	\$390,000 (Estimated)	\$480,000 (Estimated)