



NORTH TAHOE PUBLIC UTILITY DISTRICT

DATE: March 14, 2023

ITEM: G-1

FROM: Office of the General Manager

SUBJECT: Water and Sewer Utilities Cost of Service Study Workshop

RECOMMENDATION:

Receive a presentation from Shawn Korn of HDR Engineering and provide discussion and feedback on the District's Cost of Service Study. No action by the Board of Directors is agendized for this item.

DISCUSSION:

At the November 14, 2017 meeting, the Board authorized staff to issue a Request for Proposals (RFP) for a Cost of Service Study on behalf of the District. The results of which ranked HDR Engineering (HDR) highest based on the review of the proposals, pricing, and reference checks. At the April 10, 2018 meeting, the Board authorized the General Manager to negotiate and execute an agreement for Cost of Service Study with HDR.

The Board, District Staff, and HDR worked diligently across multiple public meetings to analyze the District's cost of service as well as its existing water and sewer rates. A major outcome of this effort was the development of proposed rate structures for both water and sewer that would be implemented over five years and in compliance with the State of California Proposition 218.

The effort included HDR attendance at public meetings, the development of an online webinar communicating the Cost of Service Study process and outcomes, as well as the design of the outreach materials.

Upon completion of the Study, the Board approved the implementation of a new five-year rate structure at the November 12, 2019 Public Hearing, with an effective date beginning January 1, 2020 and running through June 30, 2024.

With the District nearing the end of the current five-year rate period, it is now time to undertake a new Cost of Service Study to assess the District's utility rates relative to its projected costs over the next five-year period. This next step in the District's on-going "rate maintenance" effort is consistent with industry best practices, Board discussion during the previous Cost of Service Study, and the priorities established for the Fiscal Year 22/23 Operating Budget and the District's new five-year Strategic Plan. Further,

the priorities established by the Board of Directors in the District's five-year Capital Improvement Plan are dependent on the ability of utility rate revenue to fund them.


At the September 13, 2022 meeting, the Board of Directors authorized a contract with HDR to execute the Cost of Service Study for the next five-year period. Since that time, staff has been working with HDR on the data gathering phase of the project. This workshop serves as the kick-off of the study effort with the Board of Directors.

STRATEGIC PLAN ALIGNMENT:

Goal 3: Enhance District governance and partnerships – Objective B: Ensure financial sustainability of the District – Tactic 2: Complete and implement new Five-year Rate Structure – Activity a: Engage a consultant to conduct a cost-of-service study; and – Activity b: Assemble internal support team with an identified sponsor; and – Activity c: Staff recommendation presented to Board for consideration and adoption in compliance with California Proposition 218 requirements.

ATTACHMENTS: Cost of Service Study PowerPoint Presentation

REVIEW TRACKING:

Approved By: 
Bradley A. Johnson, P.E.
General Manager/CEO