



City of Broken Arrow

Request for Action

File #: 16-1187, Version: 1

**Broken Arrow City Council/Municipal Authority
Meeting of: 09-27-2016**

To: Mayor and Council Members/Chairman and Authority Members
From: Office of the City Manager
**Title: Presentation, review, discussion, consideration and possible action
on the rate study analysis for the water, wastewater and stormwater
public utilities and corresponding utility rate increases**

Background:

In September 2013, the Broken Arrow Municipal Authority (BAMA) entered into a contract with Black & Veatch, an internationally recognized professional engineering consultant firm with expertise in the design, operations, maintenance and management of public utility facilities and organizations, to perform a cost of services analysis and a corresponding utility rate study. The initial analysis and study was completed and presented to the Council and the Authority in June 2014.

The original analyses and subsequent revenue projections based upon the initial cost of services analysis and corresponding utility systems capital improvements reflected the anticipated need for two (2) nine-percent (9%) rate increases in Fiscal Year 2015 and one (1) additional seven-percent (7%) rate increase in Fiscal Year 2016 for the public water utility; two (2) twelve-percent (12%) rate increases in Fiscal Year 2015 and one (1) additional eleven-percent (11%) rate increase in Fiscal Year 2016 for the public wastewater utility; and, lastly, one (1) five-percent (5%) rate increase for both Fiscal Years 2015 and 2016 for the stormwater utility.

The Council/Authority adopted single rate increases for all three (3) utilities for Fiscal Year 2015 only at that time and directed the team to reevaluate the capital improvements program and present the revised findings in the Spring of 2015. These rate increases became effective in September 2014.

In March 2015, staff presented the findings of the reevaluation as directed by the Council/Authority and as conducted by Black & Veatch. The revised analysis indicated that only single rate increases for each utility was necessary. These increases were incorporated in the Annual Budget process presented in May 2015 and adopted thereafter. The Council/Authority adopted a single rate increase of ten-percent (10%) for water; a single rate increase of twelve-percent (12%) for wastewater; and a single increase of five-percent (5%) for stormwater. These rate increases became effective in October 2015.

In December 2015, the Authority amended the professional consulting services contract with Black & Veatch to re-examine the cost of services and subsequent rate structure now that we have two additional years of data that includes the operations and maintenance costs associated with the new 20 MGD microfiltration water treatment facility. In addition, we have additional source of funds with the recent passage of the Vision 2025 sales tax extension that has a specific component defined for stormwater improvements. Moreover, the additional effort included a review of the existing water, wastewater, and stormwater rates and projections of utility revenue requirements for the next five (5) years. The revenue requirements shall take into consideration the operation and maintenance expense, debt service on existing

and proposed bond issues and Oklahoma Water Resources Board (OWRB) State Revolving Fund (SRF) loans, transfers to the General Fund and a revised seven (7) year Capital Improvements Program (CIP) to better reflect our current and future system needs. In addition, revenue requirements included an analysis of the impact of additional staff due to the growth of the organization and greater emphasis on the preservation of aging assets and replacement of deteriorated infrastructure.

Staff has worked alongside Black & Veatch to achieve the above identified scope of work and will present the findings of the updated Rate Study.

Cost: None

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Streets and Stormwater Department
Finance Department
Assistant City Manager - Operations
Legal Department

Approved By: Michael L. Spurgeon, City Manager

Attachments: CIP Overview
Rate Study

Recommendation:

To authorize Staff to prepare revisions to the Manual of Fees as directed.