

**CITY OF LA VISTA
MAYOR & CITY COUNCIL
SEPTEMBER 19, 2023 AGENDA**

Subject:	Type:	Submitted By:
SEWER RATE STUDY – FY25-FY29	◆ RESOLUTION ORDINANCE RECEIVE/FILE	PAT DOWSE CITY ENGINEER

SYNOPSIS

A resolution has been prepared to accept the Sewer Rate Study prepared by Burns & McDonnell and approve implementation of the recommended rates and fees. The actual adoption of the rates will occur with the annual modifications to the Master Fee Ordinance as part of the budget process in September of each year.

FISCAL IMPACT

The proposed rate increases are expected to provide adequate funding for the operation and maintenance of the City's sewer system; treatment of sewage; system rehabilitation; and maintain an acceptable level of reserves.

RECOMMENDATION

Approval.

BACKGROUND

Burns & McDonnell was selected to prepare the FY25-FY29 Sewer Rate Study which was presented to Mayor and Council on July 5, 2023. Attached is the final report.

RESOLUTION NO. _____

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF LA VISTA, NEBRASKA ACCEPTING THE SEWER RATE STUDY DATED AUGUST 28, 2023 AND APPROVING IMPLEMENTATION OF RECOMMENDED RATES AND FEES.

WHEREAS, the Mayor and City Council of the City of La Vista, Nebraska, previously authorized the evaluation of future costs associated with operating and maintaining the sewer system; and

WHEREAS, the Mayor and City Council adopted the waste water agreement with the City of Omaha on April 7, 2009; and

WHEREAS, the sewer rate study was prepared by Burns & McDonnell; and

WHEREAS, the City Administrator, City Engineer, Finance Director and Director of Public Works have recommended acceptance of the proposed rates and fees over the next five (5) fiscal years, subject to annual evaluation and review of revenues and expenses as projected in the study;

NOW THEREFORE, BE IT RESOLVED, by the Mayor and City Council of the City of La Vista, Nebraska that the Sewer Rate Study dated August 28, 2023 prepared by Burns & McDonnell and the implementation of the recommended rates and fees over the next five (5) fiscal years has been reviewed by the Mayor and City Council of the City of La Vista and the same hereby is, accepted and approved.

PASSED AND APPROVED THIS 19TH DAY OF SEPTEMBER 2023.

CITY OF LA VISTA

Kim J. Thomas, Acting Mayor

ATTEST:

Pamela A. Buethe, MMC
City Clerk



Sewer Rate Study



City of La Vista, Nebraska

Project No. 154078

**Final Report
8/28/2023**



Sewer Rate Study

prepared for

City of La Vista, Nebraska

Project No. 154078

**Final Report
8/28/2023**

prepared by

**Burns & McDonnell Engineering Company, Inc.
Kansas City, Missouri**

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LIST OF ABBREVIATIONS

<u>Abbreviation</u>	<u>Term/Phrase/Name</u>
AWWA	American Water Works Association
Burns & McDonnell	Burns & McDonnell Engineering Company, Inc.
BLS	Bureau of Labor Statistics
CIP	Capital Improvement Program
CPI-U	Consumer Price Index for all Urban Consumers
Ccf	Hundred Cubic Feet
FY	Fiscal Year
MUD	Metropolitan Utilities District
NACWA	National Association of Clean Water Agencies
O&M	Operation and Maintenance
The City	The City of La Vista, Nebraska
The Study	Sewer Rate Study
WEF	Water Environment Federation

1.0 INTRODUCTION

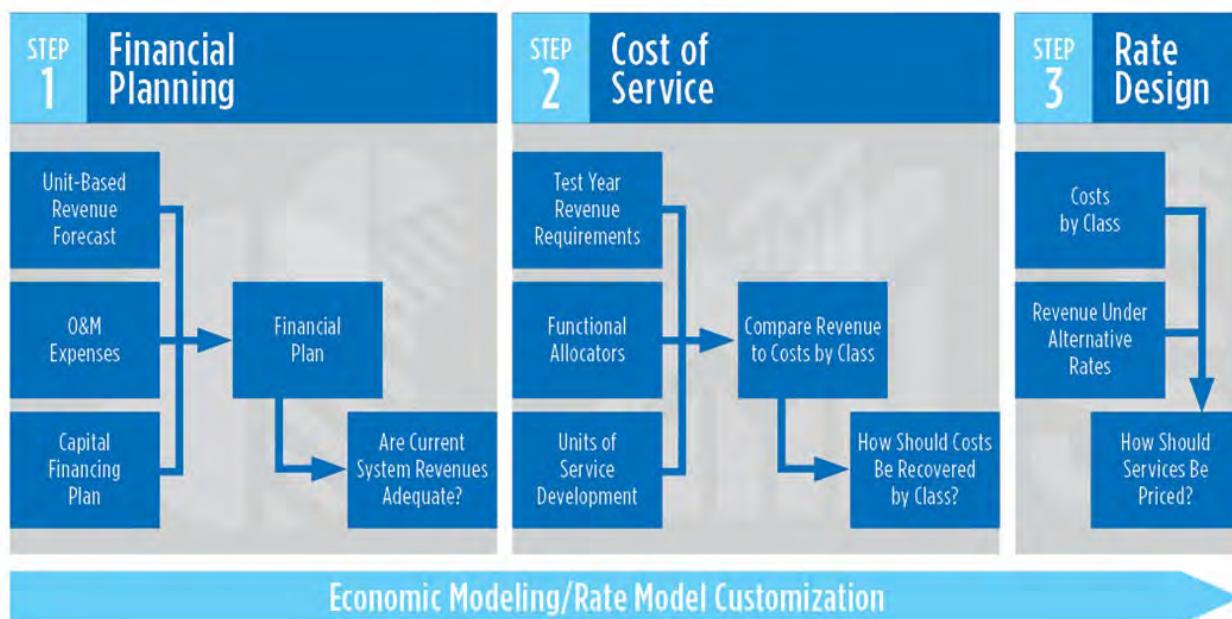
1.1 Study Background

The City of La Vista, Nebraska (the City) retained Burns & McDonnell to perform a financial planning, cost of service and rate analysis (the Sewer Rate Study or Study) for the City's sewer system. The Study provides a seven-year financial plan that evaluates the sufficiency of revenues under existing rates to meet future operating and capital costs of the utility. If revenues are insufficient to meet funding requirements, recommendations are made to increase rates sufficiently to meet the utility's revenue requirements. The cost of service analysis provides context for rate design. Throughout this report various years are referenced regarding the City's financial plan. The years referenced are the City's fiscal years (FY), which are October 1st through September 30th.

1.2 Project Approach

To meet the project objectives identified by the City, Burns & McDonnell conducted the rate study in a three-step approach. This approach, depicted in Figure 1-1, is grounded in the principles established by the American Water Works Association (AWWA) *M1 Rate Manual* and the Water Environment Federation (WEF) *Financing and Charges for Wastewater Systems*.

Figure 1-1: Study Methodology



Step 1: Financial Planning provides an indication of the adequacy of the revenue generated by current rates. The results of the financial forecast analysis answer the questions "Are the existing rates adequate?" and "If not, what level of overall revenue increase is needed?" The Financial Planning Analysis is presented in Section 2.0 of this report.

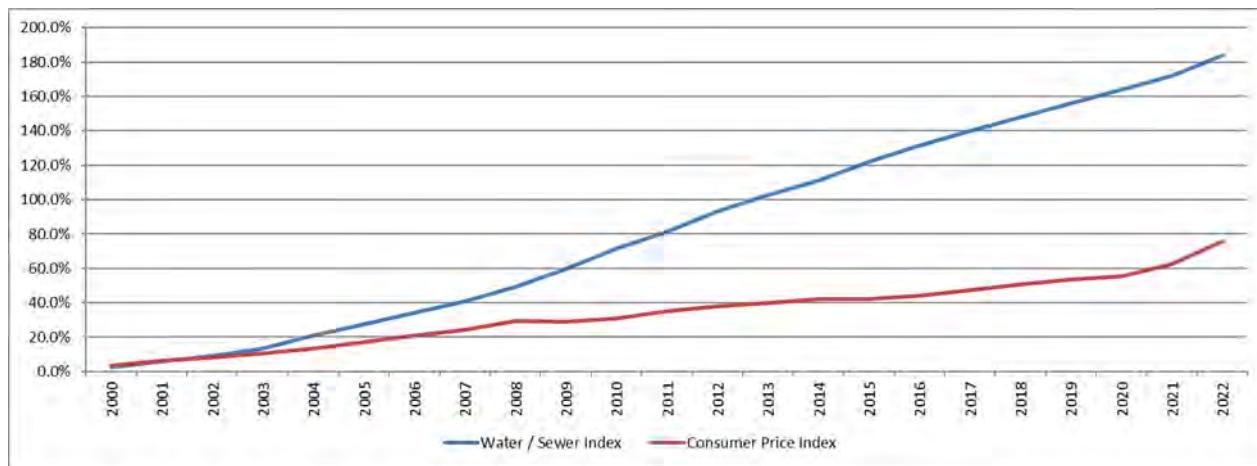
Step 2: Cost of Service focuses on assigning cost responsibility to customer classes. Each customer class is allocated an appropriate share of the overall system costs based on the level of service provided. The net revenue requirements (costs to be recovered from rates) identified in Step 1 are allocated to customers in accordance with industry standards and principles and system specifics. The Cost of Service Analysis is detailed in Section 3.0 of this report.

Step 3: Rate Design provides for the required revenue recovery. Once the overall level of revenue required is identified and customer class responsibility for that level of revenue is determined, schedules of rates for each rate class are developed that will generate revenues accordingly. The Rate Design Analysis is detailed in Section 4.0 of this report. A regional bill comparison is also provided for neighboring sewer systems in Section 4.0.

1.3 Industry Trends in Sewer Rate Increases

Nationally, the cost of residential sewer service is rising faster than many other household costs. Replacement of aging infrastructure is one of several dynamics impacting sewer utility rates. Other dynamics generally include increasing regulatory requirements, inflation on operating and capital costs, and a trend in declining consumption most often associated with more efficient fixtures and appliances and greater awareness of water conservation.

Every utility is different, and the relative importance of these dynamics will vary by utility. However, there is no doubt that sewer rate increases have substantially outpaced general inflation in the United States. The United States Bureau of Labor Statistics (BLS) tracks many facets of inflation. The most commonly referenced measure is the Consumer Price Index for all Urban Consumers (CPI-U) which measures inflation at the consumer level for a representative basket of goods. The BLS also tracks a combined inflation index for consumer water and sewer costs. Figure 1-2 compares changes in the BLS' consumer price index to changes in the BLS' water and sewer cost index.

Figure 1-2: Changes in General Inflation vs. Water and Sewer Rates

Cumulatively since 2000, the water and sewer index has risen over 180 percent, while CPI has increased about 80 percent. Annually, this equates to an approximate increase of 5 percent per year for the water and sewer index, while CPI's annual rate of change is about 2 percent per year.

Other industry surveys reach similar conclusions regarding increases in water and/or sewer rates. The National Association of Clean Water (NACWA) annually updates its *Cost of Clean Water Index*, which specifically surveys sewer utilities across the nation regarding the cost of residential sewer service. From 1985 through 2021, the annual increase according to this survey has been 4.8 percent per year. American Water Works Association (AWWA) also conducts a broad, biennial water and sewer rate survey with results indicating average annual rate increases of 5.7 percent per year for water and 5.8 percent per year for sewer from 2001 to 2018.

Each utility is influenced by specific circumstances that can lead to increases that are higher or lower than these industry trends. However, costs associated with renewal and replacement of existing infrastructure and the increasing cost of regulatory compliance are two of the primary dynamics contributing toward the increases in sewer rates. Understanding the reality of increasing costs within the sewer industry provides helpful context in evaluating proposed financial plans regarding La Vista's sewer utility.

2.0 FINANCIAL PLANNING ANALYSIS

2.1 Introduction to Financial Planning

The primary issue addressed in financial planning analysis is revenue sufficiency. The results of financial planning analysis answer the questions:

- "Are the existing rates adequate to meet future funding needs?"
- "If not, what level of overall revenue increase is needed?"

To determine if the existing schedule of rates can be expected to generate enough revenue to meet the City's operating and capital costs, Burns & McDonnell prepared a seven-year financial projection of revenues and expenditures for the utility. A comparison of projected revenues and expenditures provides insight into the adequacy of overall revenue levels.

Our approach to Financial Planning involves the following basic steps:

1. Project revenues under existing rates.
2. Project utility expenditures.
3. Develop a multi-year financial plan
4. Evaluate financial sufficiency based on key performance indicators such as reserve balances.

The planning period includes the current fiscal year (FY) 2023 and a six-year forecast period, 2024 – 2029. The City utilizes a twelve-month fiscal year beginning October 1. The financial plan analysis recognizes and references the same fiscal year in the forecast period.

The remainder of this section of the report discusses how the sewer utility financial plan was developed and identifies the sufficiency of existing rates to adequately meet future costs.

2.2 Sewer Utility Revenues under Existing Rates

The first step in financial planning analysis was to project revenues under the existing schedule of rates. To support this effort an analysis of customer billing determinants and revenues was performed.

2.2.1 Historical and Projected Customers

Table 2-1 presents the historical sewer customers served by the City from 2020 to 2022 and the projection of customers for the 2023 to 2029 planning period. In recent years, La Vista has experienced slight growth in the number of customer accounts. For the purpose of this Study, forecasted residential accounts are anticipated to growth at roughly half a percent per year.

2.2.2 Historical and Projected Volumes

Table 2-1 also presents the historical and projected billed sewer volume. In recent years, La Vista has experienced a slight decline in the use per account of residential customers. For the purpose of this Study, forecasted use for residential accounts is anticipated to decline roughly 2 percent per year. No change is forecasted in demand for commercial and industrial customers. Industrial hand billed customers include three accounts: Culligan, Vertical Cold Storage, and Yahoo.

Table 2-1: Historical and Projected Accounts and Volume

Line No.		Historical		Budget	Projected						
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Accounts											
1	Residential	6,634	6,524	6,674	6,699	6,724	6,749	6,774	6,799	6,824	6,850
2	Commercial	542	544	613	613	613	613	613	613	613	613
3	Industrial Hand Billed	3	3	3	3	3	3	3	3	3	3
4	Total Accounts	7,178	7,071	7,289	7,315	7,340	7,365	7,390	7,415	7,440	7,466
Billed Volume (Ccf)											
5	Residential	424,110	410,060	410,980	403,630	396,390	389,270	382,280	375,400	368,650	362,060
6	Commercial	449,710	470,250	501,780	502,180	502,180	502,180	502,180	502,180	502,180	502,180
7	Industrial Hand Billed	6,280	9,300	8,660	8,660	8,660	8,660	8,660	8,660	8,660	8,660
8	Total Billed Volume	880,100	889,610	921,420	914,470	907,230	900,110	893,120	886,240	879,490	872,900

2.2.3 Existing Sewer Rates

The existing 2023 and approved 2024 sewer rate schedule is shown in Table 2-2 and features a fixed monthly base fee and a volumetric rate that varies according to class for domestic use of the system. Industrial Hand Billed rates are the same as the General Commercial rates.

Table 2-2: Existing and Approved Sewer Rates

Line No.	Description	Existing	Approved
		<u>Rates</u>	<u>Rates</u>
		<u>2023</u>	<u>2024</u>
Customer Charge (per bill)			
1	Residential	\$ 12.97	\$ 13.23
2	Commercial	\$ 13.91	\$ 14.19
3	Hand Billed Industrial	\$ 13.91	\$ 14.19
Flow Charge (per CCF)			
4	Residential	\$ 4.41	\$ 4.66
5	Commercial	\$ 4.41	\$ 4.66
6	Hand Billed Industrial	\$ 4.41	\$ 4.66

2.2.4 User Revenues under Existing Rates

Table 2-3 presents historical user revenues for 2020 to 2022 and a projection of user revenues under existing and adopted rates for the planning period. The projection of user revenues was estimated based on the forecasted accounts, estimated volumes, and existing and adopted rates.

Historical sewer user revenues ranged from approximately \$4.3 million in 2020 to \$4.9 million in 2022. User charge revenues for 2023 are estimated to be approximately \$5.2 million. Overall, sewer user charge revenues under adopted 2024 rates are projected to decline slightly over the study period due to the decline in use per residential account built into the forecast. This slight decline in user charge revenue can be seen from 2024 to 2029 on Line 4 in Table 2-3.

Table 2-3: Historical and Projected Sewer User Charge Revenues

Line No.	Historical			Budget		Projected					
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
User Charge Revenues under Existing Rates [1]											
1 Residential	\$ 2,539,231	\$ 2,578,340	\$ 2,716,016	\$ 2,816,600	\$ 2,908,400	\$ 2,879,300	\$ 2,850,800	\$ 2,822,800	\$ 2,795,500	\$ 2,769,000	
2 Commercial	\$ 1,752,173	\$ 1,933,382	\$ 2,179,389	\$ 2,309,400	\$ 2,436,600	\$ 2,436,600	\$ 2,436,600	\$ 2,436,600	\$ 2,436,600	\$ 2,436,600	
3 Industrial Hand Billed	\$ 25,963	\$ 39,443	\$ 39,520	\$ 38,600	\$ 40,700	\$ 40,700	\$ 40,700	\$ 40,700	\$ 40,700	\$ 40,700	
4 Total UC Revenues	\$ 4,317,366	\$ 4,551,165	\$ 4,934,925	\$ 5,164,600	\$ 5,385,700	\$ 5,356,600	\$ 5,328,100	\$ 5,300,100	\$ 5,272,800	\$ 5,246,300	

[1] Revenues for FY 2024-2032 are projected based on estimated billing units and approved FY 2024 rates.

2.3 Sewer Utility Expenditures

The Sewer Utility's primary expenditures include the following operating and capital costs:

- Operation and Maintenance (O&M) Expenses
- Capital Improvement Program (CIP) Expenditures
- Debt Service Expenditures
- Transfers to Fund 20 (Reserve for Capital Projects)

2.3.1 Operation and Maintenance Expenses

Table 2-4 presents the recent historical and projected sewer system operation and maintenance (O&M) expenses through the 2029 planning period. The sewer O&M expenses include the collection, treatment, and administrative operating costs incurred by the utility in providing sewer service to the City. Costs related to major capital projects are excluded from Table 2-4 and will be discussed later in this report.

O&M costs for 2023 and 2024 reflect the biennium budget. Projected O&M expenses are escalated from the 2024 budget amounts based on the following annual inflation factors:

- Personnel expenses excluding insurance benefits – 4.5 percent
- Insurance benefits (personnel) - 12.0 percent
- Insurance (non-personnel): 5.0 percent
- Expenses for treatment service provided by the City of Omaha – vary between 4.35 percent and 4.37 percent
- All other expenses – 2.0 percent

Applying these inflation factors to the appropriate O&M expenses leads to an increase in total O&M of approximately 4.4 percent annually from 2025 through 2029.

Table 2-4: Historical and Projected Operation and Maintenance Expenses

Line No.	Historical			Budgeted			Projected [1]				
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
Sewer Maintenance											
1 SALARIES - FULL TIME	387,162	413,341	425,066	493,337	503,797	526,500	550,200	575,000	600,900	627,900	
2 SALARIES - PART TIME	13,184	9,323	13,050	22,879	23,218	24,300	25,400	26,500	27,700	28,900	
3 SALARIES - OVERTIME	-	-	-	13,544	14,052	14,700	15,400	16,100	16,800	17,600	
4 OVERTIME - HOLIDAY WORKED	-	34	-	-	-	-	-	-	-	-	
5 OVERTIME - CALL OUTS	2,052	3,493	3,030	-	-	-	-	-	-	-	
6 OVERTIME & REGULAR - CITY EVENTS	479	536	3,904	-	-	-	-	-	-	-	
7 OVERTIME - ALL OTHER TYPES	981	1,789	660	-	-	-	-	-	-	-	
8 FICA PAYROLL TAX EXPENSE	29,172	31,029	32,664	40,527	41,392	43,300	45,200	47,200	49,300	51,500	
9 INSURANCE CHARGES	61,707	57,388	52,966	76,981	86,436	96,800	108,400	121,400	136,000	152,300	
10 PENSION	23,434	25,166	25,952	29,948	31,071	32,500	34,000	35,500	37,100	38,800	
11 PHONE ALLOWANCE	-	60	720	900	900	900	900	900	900	900	
12 OFFICE/COPY/COMPUTER SUPPLIES	181	139	115	222	226	200	200	200	200	200	
13 FOOD SUPPLIES	50	10	-	106	108	100	100	100	100	100	
14 WEARING APPAREL	2,075	1,814	1,550	1,677	1,711	1,700	1,700	1,700	1,700	1,700	
15 MOTOR VEHICLE SUPPLIES & FUEL	16,295	13,723	22,848	26,942	27,481	28,000	28,600	29,200	29,800	30,400	
16 MAINT/LAB/MEDICAL TOOL SUPPLY	970	129	765	1,062	1,083	1,100	1,100	1,100	1,100	1,100	
17 JANITORIAL SUPPLY	196	131	20	212	216	200	200	200	200	200	
18 CHEMICAL SUPPLY	4,650	-	3,250	5,100	5,202	5,300	5,400	5,500	5,600	5,700	
19 WELDING SUPPLIES	-	-	-	743	758	800	800	800	800	800	
20 POSTAGE	644	22	193	96	99	100	100	100	100	100	
21 TELEPHONE EXPENSE	1,550	1,885	520	1,604	1,652	1,700	1,700	1,700	1,700	1,700	
22 PROFESSIONAL SERVICES - OTHER	-	10,870	87,435	155,342	98,203	100,200	102,200	104,200	106,300	108,400	
23 UTILITIES	-	4,065	3,902	5,919	6,010	6,100	6,200	6,300	6,400	6,500	
24 UTILITIES - ELECTRIC	1,854	1,677	1,885	2,263	-	-	-	-	-	-	
25 UTILITIES - NATURAL GAS	1,636	2,388	3,579	3,656	-	-	-	-	-	-	
26 INSURANCE AND BONDS	113,870	120,842	128,940	148,907	157,501	165,400	173,700	182,400	191,500	201,100	
27 LEGAL ADVERTISING	-	-	-	161	166	200	200	200	200	200	
28 PRINTING	1,543	-	-	1,664	1,714	1,700	1,700	1,700	1,700	1,700	
29 DUES AND SUBSCRIPTIONS	124	-	-	388	400	400	400	400	400	400	
30 TRAVEL	6,521	-	2,478	11,262	11,559	11,800	12,000	12,200	12,400	12,600	
31 TOWEL/UNIFORM/CLEANING SERVICE	2,490	1,300	1,927	2,020	2,081	2,100	2,100	2,100	2,100	2,100	
32 TRAINING	1,067	450	1,101	3,105	3,153	3,200	3,300	3,400	3,500	3,600	
33 OTHER CONTRACTUAL SERVICES	2,610,092	2,829,963	3,009,633	3,066,819	3,227,791	3,368,200	3,515,100	3,668,700	3,828,700	3,995,600	
34 PROFESSIONAL SVCS - AUDIT	5,041	13,875	13,600	14,794	15,386	15,700	16,000	16,300	16,600	16,900	
35 PROFESSIONAL SERVICE-LEGAL	1,078	9,031	18,488	15,608	16,388	17,100	17,800	18,600	19,400	20,200	
36 OTHER CHARGES	1,458	748	1,569	15,593	16,068	16,400	16,700	17,000	17,300	17,600	
37 BUILDINGS & GROUNDS	4,622	2,689	4,068	42,462	43,736	44,600	45,500	46,400	47,300	48,200	
38 SANITARY SEWER R & M	2,936	3,158	2,477	5,359	5,520	5,600	5,700	5,800	5,900	6,000	
39 R & M-MACH/EQUIP/COMPUTER/TOOL	7,772	17,148	5,457	5,949	6,127	6,200	6,300	6,400	6,500	6,600	
40 MOTOR VEHICLE MAINTENANCE	10,146	10,515	11,232	15,573	16,040	16,400	16,700	17,000	17,300	17,600	
41 RADIO R & M	470	-	237	2,123	2,187	2,200	2,200	2,200	2,200	2,200	
42 Total Sewer Maintenance Cost	3,342,669	3,588,731	3,885,281	4,234,847	4,369,432	4,561,700	4,763,200	4,974,500	5,195,700	5,427,400	

2.3.2 Projected Capital Improvement Expenditures

Table 2-5 presents the projected capital improvement (CIP) expenditures anticipated for the planning period. The CIP used for this Study is based on capital planning estimates developed by the City.

Line 5 shows an estimated \$8.0 million in cost for the City's new public works sewer building. The final costs associated with this project are not yet known. The \$8.0 million represents an estimated capital planning number based on City estimates.

Line 7 of Table 2-5 includes an allowance for annual renewal and replacement of collection system mains beginning in 2024 at \$100,000 and increasing to \$350,000 by 2029. These funds are assumed to be transferred into Fund 20 to build up a capital reserve for the purpose of cash funding renewal and replacement type projects. In 2023 dollars it is estimated that it would take roughly \$560,000 to replace approximately 1.0 percent of its City's collection system annually. Renewal and replacement of

underground infrastructure is a considerable challenge in the water and sewer industry. A 1.0 to 2.0 percent renewal rate is generally consistent with industry targets and is suitable for planning purposes such as this Study. As shown on Line 7, renewal and replacement projects funds are phased-in to lessen the financial impact of funding this reserve. While renewal and replacement spending is not anticipated to reach 1.0 percent by the end of this study period in 2029, it is likely such a target could be reached within a ten-year time horizon. Whether or not a 1.0 percent renewal rate is sufficient for the La Vista system will need to be evaluated over time.

Overall, the total CIP through 2029 amounts to \$13.0 million in current dollars. Assuming 3.0 percent inflation per year beginning in 2024, the total inflated CIP amounts to \$14.0 million.

Table 2-5: Capital Improvement Program

Line No.		Projected							Total
		2023	2024	2025	2026	2027	2028	2029	
<u>Budgeted Projects</u>									
1	Big Papio Sewer Siphon Replacement	-	-	-	100,000	350,000	-	-	450,000
2	East La Vista Sewer/ Pavement Rehab	2,700,000	-	-	-	-	-	-	2,700,000
3	Park View Sanitary Sewer	20,000	-	-	-	-	-	-	20,000
4	Sewer Jet Truck	-	-	400,000	-	-	-	-	400,000
5	Public Works Building Expansion	-	-	-	-	8,000,000	-	-	8,000,000
6	Other Capital Outlay	-	60,000	-	-	-	-	-	60,000
7	Renewal and Replacement [1]	-	100,000	150,000	200,000	250,000	300,000	350,000	1,350,000
8	Total Budgeted Projects	2,720,000	160,000	550,000	300,000	8,600,000	300,000	350,000	12,980,000
9	Total Inflated Projects [2]	2,720,000	164,800	583,535	327,845	9,679,377	347,782	417,918	14,241,258

[1] Estimated collection system renewal and replacement.

[2] CIP inflated at 3% compounding annually.

2.3.3 Projected Debt Service Requirements

The City currently has no outstanding sewer system debt. A debt issue is proposed for 2027 in the amount of \$8.0 million to fully fund the new public works sewer building shown in the CIP. Table 2-6 presents the proposed debt service requirements for the Sewer Utility.

Table 2-6: Proposed Debt Service

Line No.		Projected							2029
		2023	2024	2025	2026	2027	2028	2029	
<u>Proposed Debt</u>									
1	Public Works Building Expansion [1]	-	-	-	-	-	-	594,600	594,600
2	Total Gross Debt Service	-	-	-	-	-	-	594,600	594,600
3	Net Debt Service	\$	- \$	- \$	- \$	- \$	- \$	594,600	\$ 594,600

[1] Debt service assumes 20 year term, 4% rate, and 1% issuance expense.

Assumes full equal annual principal and interest payments start the year after debt issuance.

Payments for the proposed \$8.0 million issue assume a 20-year term, 4.0 percent interest, and 1.0 percent issuance expenses. Full principal and interest payments are estimated to start in full the year after

issuance. These estimated payments reflect an equal annual payment structure and are estimated solely for the purpose of depicting future revenue requirements and evaluating the sufficiency of revenues under approved and future rates. The actual structure of future debt may vary based on the recommendations of the City's Municipal Advisor and market conditions at the time of issuance.

2.4 Sewer Utility Financial Plan Cash Flow

Table 2-7 presents a cash flow that evaluates the sufficiency of revenues under existing rates to meet future cash requirements of the system. The City maintains two primary funds for the sewer utility. Fund 02 is the operating fund, which is where most revenues and expenses are recorded. The City has also established Fund 20, which represents a reserve fund for the sewer utility that is intended to be used as a rate stabilization tool for funding capital projects. Table 2-7 begins by evaluating Fund 02 on Lines 1 through 35, followed by Fund 20 on Lines 36 through 40.

Line 1 of Table 2-7 shows user revenues under existing and approved rates, shown previously on Line 4 of Table 2-3. Lines 2 through 7 present the proposed revenue increases needed to finance the City's operating and capital costs for the planning period. Beginning in 2025, 4.0 percent annual increases are proposed to be implemented through 2029. The basis for these recommended increases will be discussed more thoroughly later in this section of the report.

Billing for La Vista's sewer service is provided by the Metropolitan Utilities District (MUD). MUD recovers the cost of this service by assessing a billing charge on each bill issued on behalf of the City. This service fee is currently \$1.8452 per bill and amounts to approximately \$161,900 in 2023. This expense is assumed to increase 3.0 percent annually and can be seen on Line 9

Other revenues are shown on Line 11 and primarily consists of sewer hookup permit fees. This miscellaneous revenue stream is assumed to remain consistent at the 2023 budgeted levels. Line 12 of Table 2-7 includes an estimate of interest income for the utility assuming a yield of approximately 0.9 percent. Line 13 shows the total operating revenues forecasted over the study period. Including proposed revenue adjustments, total Sewer Utility operating revenues are projected to range from \$5.2 million in 2023 to \$6.4 million in 2029.

Operating revenue requirements are shown on Lines 14 through 18 of Table 2-7 and include O&M expenses, debt service payments, and transfers to Fund 20. O&M expenses, identified previously on Line 42 of Table 2-4, are shown on Line 14 of Table 2-7. Total Debt Service on Line 17 includes the proposed debt and is consistent with the total debt service shown previously on Line 3 of Table 2-6. Deposits to

Fund 20 are shown on Line 18 of Table 2-7. The transfers are sized based on the amount of inflated renewal and replacement cash funding the City is setting aside, previously shown on the CIP table.

Total operating revenue requirements are summarized on Line 19. This amount is deducted from Line 13, total sewer revenues, to determine the annual operating balance shown on Line 20.

Capital sources and uses of funds are shown on Lines 21 through 27 of Table 2-7. Sources of funds include cash from operations and the proposed debt issuance. As shown on Line 26, a single debt issue of \$8.0 million is anticipated in 2027, discussed previously in Section 2.3.3. Uses of funds include the capital improvement plan shown previously on Table 2-6, and issuance expenses for future debt issues.

Lines 28 through 35 evaluate the aggregate cash flow for Fund 02, including both operating and capital requirements. Total revenues on Line 28 combine total sewer operating revenue from Line 13 and capital sources of funds on Line 23. Expenses reflect total operating revenue requirements from Line 19 and total capital uses from Line 26. Netting the total sources and uses of funds for Fund 02 provides the annual balance on Line 30. A negative balance will draw reserves down in Fund 02, while a positive balance will increase reserves in Fund 02.

The beginning balance available for Fund 02 at the beginning of 2023 is shown on Line 31 and amounted to \$5.2 million. The ending balance for each fiscal year is determined by adding the annual operating balance to the beginning balance. In 2023, the ending balance is anticipated to be approximately \$3.4 million.

As a matter of sound financial planning, the City strives to provide an ending operating balance equal to at least 25 percent of each year's O&M. The targeted minimum balance was established to provide working capital liquidity and an emergency reserve to provide a measure of financial resiliency. This amount is shown on Line 34 and increases over time due to inflation in O&M. Comparing the projected ending balance for Fund 02 on Line 33 with the annual target on Line 34 indicates that the ending balance is sufficient to meet this target throughout the study period.

Debt service coverage is shown on Line 35. Debt service coverage is a frequent requirement in bond covenants associated with utility revenue bonds. This coverage ratio is calculated as follows:

$$\left(\frac{\text{Grand Total Sewer Revenue} - \text{O&M Expense}}{\text{Total Debt Service}} \right)$$

Debt service coverage represents a degree of security to bondholders that the utility could encounter lower revenues or higher O&M and still have the financial capacity to pay annual debt service. Typically the minimum debt service coverage level is determined by examining bond covenants for outstanding debt. However, because the City does not currently have outstanding debt, minimum debt service coverage levels are not discernable. For the purpose of this Study, Burns & McDonnell has assumed a minimum coverage requirement of 1.50x. This level is consistent with the covenant requirements of many of our clients, although it can vary by utility. As shown on Line 35, projected debt service coverage is above the targeted minimum ratio of 1.50.

Fund 20 sources and uses are shown on Lines 36 through 40 of Table 2-8. Fund 20 acts as a separate vehicle for storing funds created with the purpose of cash funding capital projects. Sources of funds for Fund 20 include beginning balances, transfers in from Fund 02, and interest income earned in Fund 20. Line 37 shows the transfers in from Fund 02, as previously discussed.

Table 2-7: Projected Sewer Utility Cash Flow

Line No.	Projected							
	2023	2024	2025	2026	2027	2028	2029	
Fund 02 Flow of Funds								
1	Gross Revenue Under Existing Rates	5,164,600	5,385,700	5,356,600	5,328,100	5,300,100	5,272,800	5,246,300
<u>Proposed Revenue Adjustments</u>								
2	Year	Month	Increase					
2	2024	2	0.00%					
3	2025	2	4.00%	196,400	213,100	212,000	210,900	209,900
4	2026	2	4.00%		203,200	220,500	219,300	218,200
5	2027	2	4.00%			210,200	228,100	227,000
6	2028	2	4.00%				217,500	236,100
7	2029	2	4.00%					225,000
	Total Proposed Additional Revenue	-	-	196,400	416,300	642,700	875,800	1,116,200
8	Gross User Charge Revenue With Increases	5,164,600	5,385,700	5,553,000	5,744,400	5,942,800	6,148,600	6,362,500
9	MUD Billing Fee [1]	(161,900)	(167,300)	(172,900)	(178,700)	(184,700)	(190,900)	(197,300)
10	Net Sewer User Charge Revenue	5,002,700	5,218,400	5,380,100	5,565,700	5,758,100	5,957,700	6,165,200
11	Other Sewer Fund Revenue	103,115	103,115	103,115	103,115	103,115	103,115	103,115
12	Interest Income [2]	112,400	77,500	93,900	101,800	114,600	92,600	91,900
13	Grand Total Sewer Revenue	5,218,215	5,399,015	5,577,115	5,770,615	5,975,815	6,153,415	6,360,215
<u>Revenue Requirements</u>								
14	Operation and Maintenance Expense	4,234,800	4,369,400	4,561,700	4,763,200	4,974,500	5,195,700	5,427,400
Debt Service								
15	Existing Debt	-	-	-	-	-	-	-
16	Proposed Debt	-	-	-	-	-	594,600	594,600
17	Total Debt Service	-	-	-	-	-	594,600	594,600
18	Transfer to Fund 20	-	103,000	159,135	218,545	281,377	347,782	417,918
19	Total Revenue Requirements	4,234,800	4,472,400	4,720,835	4,981,745	5,255,877	6,138,082	6,439,918
20	Annual Operating Balance	983,415	926,615	856,280	788,870	719,938	15,333	(79,703)
<u>Capital Sources</u>								
21	Transfer from Fund 20	-	-	-	-	-	-	-
22	Debt Issuance	-	-	-	-	8,000,000	-	-
23	Total Capital Sources	-	-	-	-	8,000,000	-	-
<u>Capital Uses</u>								
24	CIP	2,720,000	61,800	424,400	109,300	9,398,000	-	-
25	Bond Issuance Expense	-	-	-	-	80,000	-	-
26	Total Capital Uses	2,720,000	61,800	424,400	109,300	9,478,000	-	-
27	Annual Capital Balance	(2,720,000)	(61,800)	(424,400)	(109,300)	(1,478,000)	-	-
Fund 02 Cash Flow Summary								
28	Total Revenues	5,218,215	5,399,015	5,577,115	5,770,615	13,975,815	6,153,415	6,360,215
29	Total Expenses	6,954,800	4,534,200	5,145,235	5,091,045	14,733,877	6,138,082	6,439,918
30	Annual Balance	(1,736,585)	864,815	431,880	679,570	(758,062)	15,333	(79,703)
31	Beginning Balance	5,185,394	3,448,809	4,313,624	4,745,504	5,425,074	4,667,011	4,682,344
32	Annual balance	(1,736,585)	864,815	431,880	679,570	(758,062)	15,333	(79,703)
33	Ending Balance	3,448,809	4,313,624	4,745,504	5,425,074	4,667,011	4,682,344	4,602,641
34	Operating Reserve Target [3]	1,058,700	1,092,400	1,140,400	1,190,800	1,243,600	1,298,900	1,356,900
35	Debt Service Coverage [4]	-	-	-	-	-	1.61	1.57
Fund 20 Flow of Funds								
36	Beginning Balance	6,918	7,018	111,218	274,153	500,398	794,576	1,161,758
37	Transfers In	-	103,000	159,135	218,545	281,377	347,782	417,918
38	Interest Income [2]	100	1,200	3,800	7,700	12,800	19,400	27,400
39	Transfers Out	-	-	-	-	-	-	-
40	Ending Balance	7,018	111,218	274,153	500,398	794,576	1,161,758	1,607,076

[1] Reflects FY 2023 MUD billing rate of \$1.8452 per bill which is assumed to increase 3% annually starting in FY 2024

[2] Assumes earned Interest Income 2%.

[3] Operating reserve balance target equals 25% of total O&M.

[4] Targeting DSC of 1.5X

3.0 COST OF SERVICE ANALYSIS

3.1 Introduction

The cost of service analysis is focused on determining revenue responsibility. Once the overall need for revenue increases is identified through financial planning, the results of the cost of service analysis help answer the following question:

1. "Which customer class or classes are responsible for the costs incurred to provide service?"

To determine each customer class' equitable share of the cost of providing utility service, the cost of service analysis compares the revenues received from each customer class under the existing schedule of rates with the allocated cost responsibility for that class.

The cost of service analysis was developed in the following steps:

1. Determine the net revenue requirements to be recovered from user charges.
2. Allocate test period operating and capital costs.
3. Estimate the system test period units of service.
4. Develop test period unit costs of service by class.
5. Assign the costs of service to customer classes.

To equitably develop rates for sewer service, the sewer utility's customer classes are allocated their respective share of the total cost of service according to their use of the system. Cost are assigned through consideration of demands placed on the system related to volume costs, customer costs, and other relevant factors.

3.2 Sewer Cost of Service

3.2.1 Net Revenue Requirements

As described in Section 2.0 of this report, the cash needs of the sewer utility were projected over a five-year study period. The test period for the cost of service analysis is 2025, which corresponds to the first year for which revenue adjustments are proposed. For the sewer utility, the revenue adjustment amounts to a 4.0 percent increase in the test year.

Table 3-1 summarizes the net revenue requirements to be recovered from sewer rates in the 2025 test year. The net revenue requirements represent the level of costs that must be recovered from sewer rates and are equal to total operating and capital cost expenditures less all sources of other revenue. As

presented in Table 3-1, the net operating costs are nearly \$5.0 million and the net capital costs are \$585,500 for a total net revenue requirement of approximately \$5.6 million. This is 4.0 percent higher than revenues under existing sewer rates, consistent with the 2025 revenue increase identified in the recommended sewer utility financial plan.

Table 3-1: Test Year 2020 Sewer Net Revenue Requirements

Line No.	Description	Operating Expense \$	Capital Cost \$	Total \$
Revenue Requirements				
1	Operating Expense	4,561,700	-	4,561,700
2	Debt Service	-	-	-
3	Transfer to Fund 20	-	159,135	159,135
4	Cash Capital	-	424,400	424,400
5	MUD Billing	172,900	-	172,900
6	Total	4,734,600	583,535	5,318,135
Revenue Requirements Met from Other Sources				
7	Sewer Service Charges Billed	-	-	-
8	Sewer Hookups B.I. Permits	103,115	-	103,115
9	Lottery Transfer	-	-	-
10	Grant Income	-	-	-
11	Other Income	-	-	-
12	Interest Income	41,300	-	41,300
13	Use of/ (Deposit to) Reserves	(379,280)	-	(379,280)
14	Annualized Increase	(15,900)	(2,000)	(17,900)
15	Total	(250,765)	(2,000)	(252,765)
16	Cost of Service to be met by User Charges	4,985,365	585,535	5,570,900
17	Gross Revenue under Existing Rates			5,356,600
18	System Revenue Adjustment			4.00%

3.2.2 Cost of Service Methodology

According to the Water Environment Federation (WEF) publication *Financing and Charges for Wastewater Systems*, three cost allocation methodologies are generally used in the identification and allocation of wastewater utility costs. They are:

- Design-Basis Cost Allocation Methodology, whereby costs are allocated to functions based on engineering design considerations that influence the size and purpose of facilities.

- Functional Cost Allocation Methodology, whereby costs are allocated to functions based on the operational purpose of facilities rather than engineering design.
- Hybrid Approach, where in general capital costs are allocated on the design basis while operating costs are allocated on the functional basis.

For this analysis, the functional cost allocation basis was followed, which aligns well with the current sewer cost structure and services related to the City's collection system.

3.2.3 Functional Cost Assignment

The sewer utility system includes a variety of facilities that work in concert with one another to meet necessary service requirements. For the City, sewer system assets are limited primarily to collection system infrastructure, with treatment provided by the City of Omaha.

Volume costs are those which vary directly with the quantity of wastewater contributed. Customer costs are those that generally vary in accordance with the quantity of customers served. Such costs may include billing, customer care, and related support costs. Additionally, infiltration/inflow costs may and frequently are recovered in whole or in part through service charges.

3.2.3.1 Operating Expenses

Operating expenses for the sewer system were forecasted previously in Table 2-4 of this report. Test year 2025 operating costs are assigned to functional components in Table 3-2.

In general, operation and maintenance costs were allocated based on several considerations, including:

- The cost causative or functional nature of the underlying expense.
- Directly assignable costs such as billing costs.
- The "readiness to serve" concept allocates a portion of volume-related costs to the customer component.

Sewer system expenses were allocated to the volume component and customer components as shown in Table 3-2. The allocation basis for each item is noted by line in Table 3-2. Volume-related allocations assign approximately 90 percent of cost to the volume component and 10 percent of cost to the customer component.

Omaha treatment expense are allocated 83 percent to volume and 17 percent to customer based on a review of the historical costs charged to La Vista for Omaha treatment services. Billing costs charged by

MUD are assigned 100 percent to the customer component. System general allocations reflect the aggregate result of all directly assigned sewer maintenance costs.

Table 3-2: Allocation of Test Year 2025 Sewer Operation and Maintenance Expenses

Line No.	Description	Test Year			Allocation Basis
		2025 Total	Volume	Customer	
Sewer Maintenance Expenditures					
1	SALARIES - FULL TIME	526,500	474,800	51,700	Volume & Billing
2	SALARIES - PART TIME	24,300	21,900	2,400	Volume & Billing
3	SALARIES - OVERTIME	14,700	13,300	1,400	Volume & Billing
4	OVERTIME - HOLIDAY WORKED	-	-	-	Volume & Billing
5	OVERTIME - CALL OUTS	-	-	-	Volume & Billing
6	OVERTIME & REGULAR - CITY EVENTS	-	-	-	Volume & Billing
7	OVERTIME - ALL OTHER TYPES	-	-	-	Volume & Billing
8	FICA PAYROLL TAX EXPENSE	43,300	39,000	4,300	Volume & Billing
9	INSURANCE CHARGES	96,800	87,300	9,500	Volume & Billing
10	PENSION	32,500	29,300	3,200	Volume & Billing
11	PHONE ALLOWANCE	900	800	100	Volume & Billing
12	OFFICE/COPY/COMPUTER SUPPLIES	200	200	-	Volume & Billing
13	FOOD SUPPLIES	100	100	-	Volume & Billing
14	WEARING APPAREL	1,700	1,500	200	Volume & Billing
15	MOTOR VEHICLE SUPPLIES & FUEL	28,000	25,300	2,700	Volume & Billing
16	MAINT/LAB/MEDICAL TOOL SUPPLY	1,100	1,000	100	Volume & Billing
17	JANITORIAL SUPPLY	200	200	-	Volume & Billing
18	CHEMICAL SUPPLY	5,300	4,800	500	Volume & Billing
19	WELDING SUPPLIES	800	700	100	Volume & Billing
20	POSTAGE	100	100	-	Volume & Billing
21	TELEPHONE EXPENSE	1,700	1,500	200	Volume & Billing
22	PROFESSIONAL SERVICES - OTHER	100,200	90,400	9,800	Volume & Billing
23	UTILITIES	6,100	5,500	600	Volume & Billing
24	UTILITIES - ELECTRIC	-	-	-	Volume & Billing
25	UTILITIES - NATURAL GAS	-	-	-	Volume & Billing
26	INSURANCE AND BONDS	165,400	149,200	16,200	Volume & Billing
27	LEGAL ADVERTISING	200	200	-	Volume & Billing
28	PRINTING	1,700	1,500	200	Volume & Billing
29	DUES AND SUBSCRIPTIONS	400	400	-	Volume & Billing
30	TRAVEL	11,800	10,600	1,200	Volume & Billing
31	TOWEL/UNIFORM/CLEANING SERVICE	2,100	1,900	200	Volume & Billing
32	TRAINING	3,200	2,900	300	Volume & Billing
33	OTHER CONTRACTUAL SERVICES	3,368,200	2,782,100	586,100	Omaha Treatment
34	PROFESSIONAL SVCS - AUDIT	15,700	14,200	1,500	Volume & Billing
35	PROFESSIONAL SERVICE-LEGAL	17,100	15,400	1,700	Volume & Billing
36	OTHER CHARGES	16,400	14,800	1,600	Volume & Billing
37	BUILDINGS & GROUNDS	44,600	40,200	4,400	Volume & Billing
38	SANITARY SEWER R & M	5,600	5,100	500	Volume & Billing
39	R & M-MACH/EQUIP/COMPUTER/TOOL	6,200	5,600	600	Volume & Billing
40	MOTOR VEHICLE MAINTENANCE	16,400	14,800	1,600	Volume & Billing
41	RADIO R & M	2,200	2,000	200	Volume & Billing
42	MUD Billing	172,900	-	172,900	Billing
43	Total Sewer Maintenance Expenses	4,734,600	3,858,600	876,000	
Less Other Operating Revenue					
44	Sewer Service Charges Billed	-	-	-	System General
45	Sewer Hookups B.I. Permits	103,115	84,015	19,100	System General
46	Lottery Transfer	-	-	-	System General
47	Grant Income	-	-	-	System General
48	Other Income	-	-	-	System General
49	Interest Income	41,300	33,700	7,600	System General
50	Use of / (Deposit to) Reserves	(379,280)	(309,080)	(70,200)	System General
51	Annualized Increase	(15,900)	(13,000)	(2,900)	System General
52	Subtotal Other Operating Revenue	(250,765)	(204,365)	(46,400)	System General
53	Net Sewer O&M Expense	4,985,365	4,062,965	922,400	

3.2.3.2 Capital Costs

Cash capital costs for the sewer utility include revenue-financed capital projects and payment on proposed debt. In 2025 capital costs include revenue-financed capital only. These costs are assigned to the volume and customer functional component in Table 3-3 consistent with the volume-basis used for O&M expenses.

Table 3-3: Allocation of Test Year 2025 Sewer Capital Costs

Line No.	Description	Test Year 2025			Allocation Basis
		Total \$	Volume \$	Customer \$	
<u>Capital Costs</u>					
1	Existing & Proposed Debt	-	-	-	Volume & Billing
2	Revenue Financed Capital	583,535	526,200	57,300	Volume & Billing
3	Total Sewer Capital Costs	583,535	526,200	57,300	
<u>Less Other Sources</u>					
4	Annualized Increase	(2,000)	(1,800)	(200)	Volume & Billing
5	Total	(2,000)	(1,800)	(200)	
6	Net Sewer Capital Expense	585,535	528,000	57,500	
7	<i>Distribution</i>	100%	90%	10%	

3.2.4 Units of Service

Functional costs responsibility of each customer class may be established based on the respective service requirements of each class. These service requirements are referred to as units of service and are summarized in Table 3-4.

Billable flow or volume is that portion of each customer's annual water use discharged directly into the sewer system. Billable flow is based upon the utility's billing records. Billing costs are allocated to classes based on the projected number of bills for each class.

Table 3-4: Sewer Units of Service

Line No.	Customer Class	Billed Volume Ccf	Bills
1	Residential	389,270	80,988
2	Commercial	502,180	7,356
3	Industrial Hand Billed	8,660	36
4	Total	900,110	88,380

3.2.5 Unit Cost Development

Based on the functionalized operation and maintenance expenses and capital costs shown in Tables 3-2 and 3-3, and the units of service developed in Table 3-4, unit costs of service for each functional cost component may be determined. Table 3-5 indicates the unit of measure and applicable unit cost for each function.

Table 3-5: Sewer Unit Cost Development

Line No.	Description	Test Year 2025		
		Total \$	Volume Ccf	Customer \$
1	Total Units of Service	900,110		88,380
2	Unit of Measure		Ccf	Bills
3	Net Operating Expense - \$	4,985,400	4,063,000	922,400
4	Unit Cost - \$/Unit		4.51	10.44
5	Net Capital Costs - \$	585,500	528,000	57,500
6	Unit Cost - \$/Unit		0.59	0.65
7	Total Cost of Service	5,570,900	4,591,000	979,900
8	Unit Cost - \$/Unit		5.10	11.09

3.2.6 Allocation of Costs to Customer Classes

Applying the unit costs by function to each customer class' units of service allows for the distribution of costs to customer classes, as shown in Table 3-6. Units of service for each class are as developed previously in Table 3-5. By applying the unit cost for each function against the level of service provided to each customer class, the total cost of service by customer class may be determined.

After Test Year 2025 costs are assigned to customer classes, they may be compared against revenue under existing rates. This comparison provides an indication of equity in the recovery of costs through revenues under adopted 2024 rates. As shown in Table 3-7, the total system adjustment is indicated to be 4.0 percent overall, consistent with the recommended financial plan.

Table 3-6: Sewer Cost Allocation to Customer Classes

Line No.	Description	Test Year 2025		
		Total \$	Volume \$	Customer \$
1	Unit Cost of Service - \$/Unit		5.10	11.09
Residential				
2	Units of Service		389,270	80,988
3	Allocated Cost - \$	2,883,400	1,985,500	897,900
Commercial				
4	Units of Service		502,180	7,356
5	Allocated Cost - \$	2,643,000	2,561,400	81,600
Industrial Hand Billed				
6	Units of Service		8,660	36
7	Allocated Cost - \$	44,600	44,200	400
Total				
8	Units of Service		900,110	88,380
9	Allocated Cost - \$	5,571,000	4,591,100	979,900

Table 3-7: Comparison of Revenue Under Existing Rates to Allocated Cost of Service

Line No.	Description	Revenue Under Existing Rates	Total Allocated Cost of Service	Indicated Increase / (Decrease)	Indicated Increase / (Decrease)
		\$	\$	\$	%
1	Residential	2,879,300	2,883,400	4,100	0.1%
2	Commercial	2,436,600	2,643,000	206,400	8.5%
3	Industrial Hand Billed	40,700	44,600	3,900	9.6%
4	Total	5,356,600	5,571,000	214,400	4.0%

It is important to note that cost of service results are instructive but for many reasons should not be interpreted as prescriptive in the development of proposed rates. Section 4.0 will discuss proposed rates for the sewer utility.

4.0 PROPOSED RATE DESIGN

4.1 Existing Sewer Rates

The current sewer rate schedule is shown in Table 4-1. The sewer rate structure consists of a uniform volume charge across all customer classes based on Hundred Cubic Feet (CCF) and a customer charge that varies by customer class. Rates for 2024 were approved from the last rate study and are also shown in Table 4-1.

Table 4-1: Existing and Approved Sewer Rates

Line <u>No.</u>	<u>Description</u>	Existing	Approved
		<u>Rates</u> <u>2023</u>	<u>Rates</u> <u>2024</u>
<u>Customer Charge (per bill)</u>			
1	Residential	\$ 12.97	\$ 13.23
2	Commercial	\$ 13.91	\$ 14.19
3	Hand Billed Industrial	\$ 13.91	\$ 14.19
<u>Flow Charge (per CCF)</u>			
4	Residential	\$ 4.41	\$ 4.66
5	Commercial	\$ 4.41	\$ 4.66
6	Hand Billed Industrial	\$ 4.41	\$ 4.66

4.2 Sewer Rate Structure

Sewer rate structures typically include a fixed or base fee and a volumetric fee. Sewer fixed fees do not usually vary by meter size, but some utilities will apply this practice to sewer rate design. Volumetric fees for sewer are generally not structured into blocks like some water rate structures and are typically designed to charge the same price per unit of use regardless of usage.

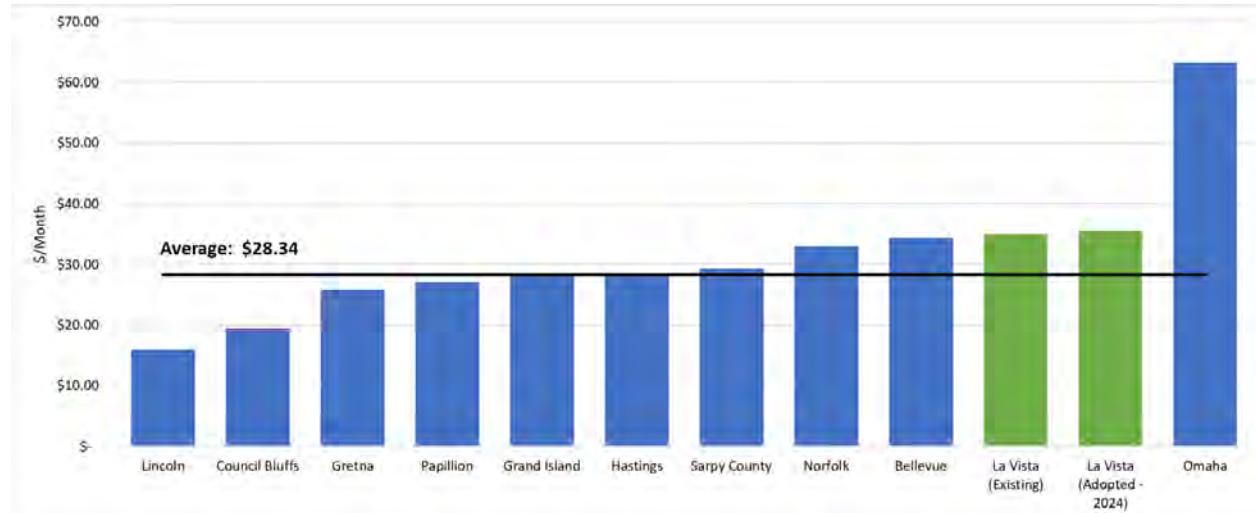
If the City were responsible for treatment of wastewater, the issue of the strength of contributed flows would introduce the possibility of varying volumetric charges by types of users. However, given the utility's responsibility for collection and conveyance only, and since the treatment service provided by the City of Omaha does not include a separate strength component in its rates, Burns & McDonnell is of the opinion that the existing uniform volume rate is a good fit for the City of La Vista. This structure is commonly used in the industry.

4.3 Regional Residential Sewer Rate Levels

A comparison of rates for eleven regional sewer utilities was conducted. Figure 4-1 shows a comparison of existing sewer bills for a residential customer using 5.0 Ccf per month. As shown in Figure 4-1, the

regional sewer typical bill ranges from about \$16 per month to about \$63 per month, with La Vista currently at just over \$35 a month.

Figure 4-1: Residential Sewer Bill Comparison at 5.0 Ccf per Month



4.4 Proposed Sewer Rates

Table 4-2 shows existing and proposed sewer rates. For proposed rates, the current sewer rate structure is maintained. Base charges are proposed to increase 1 percent per year, while volume charges are proposed to increase 5 percent per year to meet the overall revenue increase of 4 percent per year. This approach is designed to improve the equity of cost recovery.

Table 4-2: Existing and Proposed Sewer Rates

Line No.	Description	Existing Rates		Approved Rates		Proposed Rates					
		2023	2024	2025	2026	2027	2028	2029			
		<u>Customer Charge (per bill)</u>									
1	Residential	\$ 12.97	\$ 13.23	\$ 13.36	\$ 13.49	\$ 13.62	\$ 13.76	\$ 13.90			
2	Commercial	\$ 13.91	\$ 14.19	\$ 14.33	\$ 14.47	\$ 14.61	\$ 14.76	\$ 14.91			
3	Hand Billed Industrial	\$ 13.91	\$ 14.19	\$ 14.33	\$ 14.47	\$ 14.61	\$ 14.76	\$ 14.91			
<u>Flow Charge (per CCF)</u>											
4	Residential	\$ 4.41	\$ 4.66	\$ 4.89	\$ 5.13	\$ 5.39	\$ 5.66	\$ 5.94			
5	Commercial	\$ 4.41	\$ 4.66	\$ 4.89	\$ 5.13	\$ 5.39	\$ 5.66	\$ 5.94			
6	Hand Billed Industrial	\$ 4.41	\$ 4.66	\$ 4.89	\$ 5.13	\$ 5.39	\$ 5.66	\$ 5.94			

Table 4-3 shows the changes in residential sewer bills over the study period for three different usage profiles, assuming all rate increases and proposed rates are implemented through 2029. For an average

residential customer using 5.0 Ccf per month, increases in monthly sewer bills are expected to range from \$1.28/month in 2025 to \$1.54 a month in 2029.

Table 4-3: Typical Residential Sewer Bills Under Existing and Proposed Rates

Line No.	Description	Billable Flow Ccf	Existing		Approved		Proposed									
			Rates		Rates		Rates		Rates		Rates					
			2023	\$	2024	\$	2025	\$	2026	\$	2027	\$	2029			
Residential																
1	Low	3.5	\$	28.41	\$	29.54	\$	30.48	\$	31.45	\$	32.49	\$	33.57	\$	34.69
2	Average	5.0	\$	35.02	\$	36.53	\$	37.81	\$	39.14	\$	40.57	\$	42.06	\$	43.60
3	High	8.5	\$	50.46	\$	52.84	\$	54.93	\$	57.10	\$	59.44	\$	61.87	\$	64.39
Proposed Increase (\$)																
4	Low				\$	1.14	\$	0.93	\$	0.97	\$	1.04	\$	1.09	\$	1.12
5	Average				\$	1.51	\$	1.28	\$	1.33	\$	1.43	\$	1.49	\$	1.54
6	High				\$	2.39	\$	2.08	\$	2.17	\$	2.34	\$	2.44	\$	2.52
Proposed Increase (%)																
7	Low					4.0%		3.2%		3.2%		3.3%		3.3%		3.3%
8	Average					4.3%		3.5%		3.5%		3.7%		3.7%		3.7%
9	High					4.7%		3.9%		4.0%		4.1%		4.1%		4.1%

Table 4-4 shows the changes in Commercial sewer bills over the study period for three different usage profiles, assuming all rate increases and proposed rates are implemented through 2029. For a Commercial customer using 75 Ccf per month, increases in monthly sewer bills are expected to range from \$17.39/month in 2025 to \$21.15 a month in 2029.

Table 4-4: Typical Commercial Sewer Bills Under Existing and Proposed Rates

Line No.	Description	Billable Flow Ccf	Existing		Approved		Proposed									
			Rates		Rates		Rates		Rates		Rates					
			2023	\$	2024	\$	2025	\$	2026	\$	2027	\$	2029			
Commercial																
1	Low	25.0	\$	124.16	\$	130.69	\$	136.58	\$	142.72	\$	149.36	\$	156.26	\$	163.41
2	Medium	75.0	\$	344.66	\$	363.69	\$	381.08	\$	399.22	\$	418.86	\$	439.26	\$	460.41
3	High	130.0	\$	587.21	\$	619.99	\$	650.03	\$	681.37	\$	715.31	\$	750.56	\$	787.11
Proposed Increase (\$)																
4	Low				\$	6.53	\$	5.89	\$	6.14	\$	6.64	\$	6.90	\$	7.15
5	Medium				\$	19.03	\$	17.39	\$	18.14	\$	19.64	\$	20.40	\$	21.15
6	High				\$	32.78	\$	30.04	\$	31.34	\$	33.94	\$	35.25	\$	36.55
Proposed Increase (%)																
7	Low					5.3%		4.5%		4.5%		4.7%		4.6%		4.6%
8	Medium					5.5%		4.8%		4.8%		4.9%		4.9%		4.8%
9	High					5.6%		4.8%		4.8%		5.0%		4.9%		4.9%

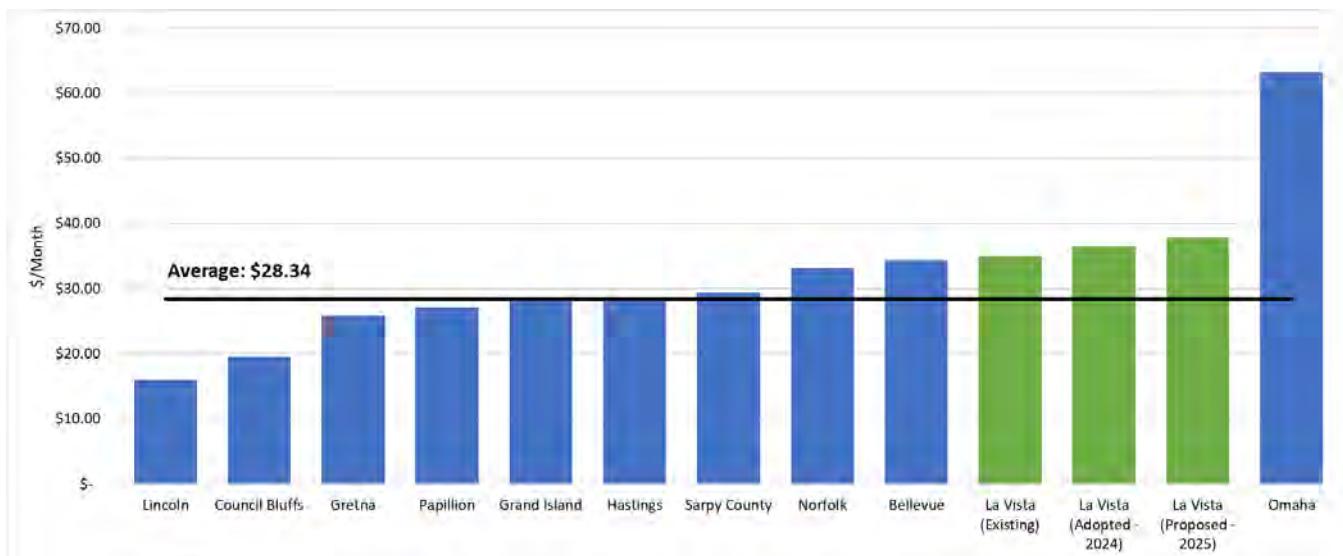
Burns & McDonnell considers the multi-year cash flow and rate forecast provided in this report a roadmap and anticipates that the City will continue its practice of adopting rates annually for the next fiscal year. This practice allows the City an annual opportunity to consider near term funding needs with

the benefit of recent, actual results of each fiscal year as they are completed. The financial outlook can be refreshed to reflect the latest conditions as part of the annual budgeting process, including such critical items as customer usage of its system, O&M expense trends, actual renewal and replacement costs, other capital project needs, and prevailing economic conditions, all of which will evolve over time.

4.5 Typical Bills and Residential Bill Comparison

Figure 4-2 revisits the regional comparison of residential bills at 5.0 Ccf monthly consumption level including La Vista's existing, adopted, and proposed 2025 rates. As noted in the introduction to this report, sewer utility rates are increasing approximately 5 percent annually. It is important to note that many of the regional utilities included in Figure 4-2 will be increasing rates over time.

Figure 4-2: Proposed Residential Monthly Bill Comparison



4.6 Statement of Limitations

In preparation of the City of La Vista Sewer Rate Study, Burns & McDonnell relied upon information provided by the City. The information included various analyses, computer-generated information and reports, audited financial reports, and other financial and statistical information, as well as other documents such as operating budgets and current rate schedules. In addition, input regarding key assumptions was provided by City staff to Burns & McDonnell. While Burns & McDonnell has no reason to believe that the information provided, and upon which Burns & McDonnell has relied, is inaccurate or incomplete in any material respect, Burns & McDonnell has not independently verified such information and cannot guarantee its accuracy or completeness.

Estimates and projections prepared by Burns & McDonnell relating to financial forecasting and costs are based on Burns & McDonnell's experience, qualifications, and judgment as a professional consultant. Since Burns & McDonnell has no control over weather, cost and availability of labor, material and equipment, labor productivity, contractors' procedures and methods, unavoidable delays, economic conditions, government regulations and laws (including interpretation thereof), competitive bidding, and market conditions or other factors affecting such estimates or projections, Burns & McDonnell does not guarantee the accuracy of its estimates or predictions.



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