



19601 NE Halsey Street  
Portland, OR 97230-7430  
503-665-4179 - Phone  
503-667-5108 - Fax  
[www.rwpud.org](http://www.rwpud.org)

## MEMORANDUM

To: Board of Directors

From: Kari J. Duncan, General Manager

Date: March 18, 2024

Re: DRAFT Fiscal Year (FY) 2024/2025 Finance Model Review and Future Rate Adjustment Strategies

In 2023 the Board directed District staff to adopt a rate model and Capital Project Plan with the goal of independence from wholesale water purchases from Portland. The rate studies and cost projections predicted that the development of groundwater supply, which requires an initial investment and rate increase by the District, will result in long term cost avoidance by the District. The Rate analysis and Financial Model was completed by consultant HDR.

### 2023 Finance Model

The 2023 Finance Model anticipated the use of Revenue Bonds and a Federal Water Infrastructure Finance and Innovation Act (WIFIA) Loan as the financing sources for the Groundwater Development Master Plan (GDMP). Based on the anticipated financing plan, the following rate adjustments have been implemented since the start of this project:

Date	% Rate Adjustment	Average Monthly Charge (6 CCF)
July 2020	12.5%	\$28.38
July 2021	10.5%	\$31.60
July 2022	4.2%	\$32.90
July 2023	6%	\$34.85
July 2024 (anticipated)	6%	\$36.94

The 2023 Finance and Rate model projected a 6% rate adjustment in FY 2023/2024, followed by a 6% rate adjustment the following year in FY 2024/2025. This was moderately higher than anticipated from the previous year in 2022 and was due to the impacts of the extremely high inflation rates between 2021-2023 that impacted both the design and construction costs for the Cascade Groundwater Alliance Project, and operations and maintenance costs for the District.

## **2024 Finance Model**

The 2024 DRAFT model includes the maintenance of the GDMP Budget that was established in January of 2023. No overall cost increases have been projected since the update of that budget last year and the construction bids for Package 2A and 4 were favorable to the District and City of Gresham. However, the two Rockwood only packages, Package 2A (Glendoveer Transmission Main) and Package 3 (141<sup>st</sup> Ave Well, WTP and Reservoir) are still in design and will be advertised for Construction this Spring. These represent major costs for the District and it is recommended that we maintain a conservative budget and rate model until these bids come in and greater certainty over the final project budget is established. Also included in this rate model is the purchase and installation of the Automated Metering Infrastructure (AMI) system that was approved by the Board in 2023.

The District and consultant HDR are still working on fine tuning the model including the projections for future debt issuance related to the Cascade Groundwater Alliance (CGA) projects, and the budget timeline for the completion of the project. The future costs for Operation and Maintenance of the new facilities are also reflected in the model, and these values are being refined and vetted based on projected expenses for electricity, chemicals, maintenance and staffing of the groundwater supply and treatment systems; costs that will be shared by Gresham and Rockwood. The 6% rate adjustment is a conservative projection for what will be recommended to the Board and Budget committee, and it is not anticipated to be higher than 6%. This will result in an average customer monthly bill of \$36.94 based on the use of 6 CCF per month, an increase of \$2.09 per month.

Further updates to the rate model will include verification of the debt service requirements for future years based on future WIFIA loan and Bond required to complete the GDMP, as well as future operating costs. The final recommended model and report will be provided at the April Board and Budget committee meeting.