



# CITY OF ST. JOSEPH

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**St. Joseph City Council Work Session  
April 26, 2022  
5:00 PM**

The St. Joseph City Council will meet to discuss the following items:

1. Community Center
2. Compensation Study and Staffing
3. ARPA Funding
4. TIF/Tax Abatement and Assistance Requests
5. Water and Sewer Financial Planning Software
6. Robert's Rules of Order
7. Park and Recreation Update
8. Adjourn



**MEETING DATE:** April 26, 2021

**AGENDA ITEM:** Compensation Study & Staffing

**SUBMITTED BY:** Administration

**BOARD/COMMISSION/COMMITTEE RECOMMENDATION:** The Personnel Committee is supportive with moving forward with completing a compensation study and hiring a full-time Administrative Assistant.

**BACKGROUND INFORMATION:** Last year during city council budget discussions, an office specialist was included as a future hire due to the increasing administration work. Additionally, a compensation study was included in the 2022 budget to be completed. The proposed compensation study would review job classification and include a market survey. The study would be completed in four months.

**BUDGET/FISCAL IMPACT:** Compensation Study – Budgeted for 2023  
Administrative Assistant Position – Anticipated to be a Grade 5  
\$18.91 - \$27.25 per hour

**ATTACHMENTS:** Compensation Study Proposal – Flaherty & Hood, P.A.  
Administrative Assistant Job Description

**REQUESTED COUNCIL ACTION:** Discussion only

**QUOTE**

To: Therese Haffner, City Administrator, City of St. Joseph

From: Brandon M. Fitzsimmons, Shareholder Attorney  
Karina G. Patino, Legal Analyst

Date: August 18, 2021

Re: **Quote for Job Classification and Compensation Update**

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Flaherty & Hood, P.A. hereby submits this quote to conduct a Job Classification and Compensation Update for City of St. Joseph (City), which includes a description of the purpose and need for the review, the scope of services to be provided and timeline, and costs.

**Purpose and Need**

Flaherty and Hood, P.A. completed a job classification and compensation study for the City of St. Joseph in 2019 that reviewed and drafted analysis and recommendations for job analysis, job titles, job evaluation points, pay, implementation, and reviewing, maintaining, and updating is classification and compensation components. The City did not elect to have Flaherty and Hood, P.A. complete a market survey as part of its study. The City internally performed certain job classification and compensation system functions and established certain components of it.

Based on this process, the City Council approved in 2020:

- Flaherty and Hood, P.A. Job Evaluation System
- Updated Position Titles and Job Evaluation Points
- City of St. Joseph’s Classification and Compensation Plan
- City of St. Joseph’s Base Pay Schedules

To implement the Classification and Compensation Plan, current City administration has reviewed the City’s previous internal process and recommendations related to job classification and compensation, along with the current job descriptions, job evaluation points, and base pay. To maintain and update these components to be consistent with the Classification and Compensation Plan and address the prior process’ issues, City administration felt that it was necessary to update these components of its job classification and compensation system, including conducting a market survey.

**Scope of Services and Timeline**

Flaherty & Hood, P.A.’s job classification and compensation review services for St. Joseph’s approximately 18 positions will include the following with the subsequent timeline:

Phase	Services	Timeline after Start
1.	<ul style="list-style-type: none"> <li>• Review City’s job classification and compensation system components, which includes               <ul style="list-style-type: none"> <li>○ Job descriptions and points</li> <li>○ Fair Labor Standards Act (FLSA) exempt status</li> <li>○ Base pay schedule</li> <li>○ Pay equity report</li> <li>○ Other governing documents (e.g., labor contracts, policies)</li> </ul> </li> </ul>	0 - 3 Weeks
2.	<ul style="list-style-type: none"> <li>• Job evaluation               <ul style="list-style-type: none"> <li>○ Review and establish or update points for certain positions using Flaherty &amp; Hood Job Evaluation System</li> <li>○ Management reviews, comments, and makes any necessary changes on job evaluation system and updated job specific points</li> <li>○ Update and determine Fair Labor Standards Act exempt status</li> </ul> </li> </ul>	4-7 Weeks
3.	<ul style="list-style-type: none"> <li>• Market survey               <ul style="list-style-type: none"> <li>○ Establish market entities and sources based on statistical analysis and market selection questionnaire to City Determine benchmark jobs to compare</li> <li>○ Compile, review and analyze market compensation data for all job classifications, including wages and pay structure and contributions to health insurance</li> </ul> </li> <li>• Draft market comparison data spreadsheets and discuss with City of St. Joseph’s management</li> </ul>	2-6 Weeks
4.	<ul style="list-style-type: none"> <li>• Pay structure and schedule               <ul style="list-style-type: none"> <li>○ Based on statistical analysis or market pay and job points, establish or propose modifications to pay structure and schedule that includes pay ranges related to job points</li> <li>○ Analyze and modify pay schedule for compliance with Minnesota Pay Equity Act</li> <li>○ Analyze financial and individual employee impact</li> </ul> </li> </ul>	7-11 Weeks
5.	<ul style="list-style-type: none"> <li>• Final report and implementation               <ul style="list-style-type: none"> <li>○ Prepare a final report describing the study results and implementation recommendations</li> <li>○ Present findings and recommendations, including written and/or oral report to City of St. Joseph city council</li> </ul> </li> </ul>	12-14 Weeks
6.	<ul style="list-style-type: none"> <li>• Update job descriptions               <ul style="list-style-type: none"> <li>○ Review and draft updated format and text for job descriptions</li> </ul> </li> </ul>	16-18 Weeks
7.	<ul style="list-style-type: none"> <li>• Pay equity compliance testing               <ul style="list-style-type: none"> <li>○ Prepare and provide to the City of St. Joseph a complete pay equity report on proposed job points and pay to ensure com</li> </ul> </li> <li>• Provide any submit required communications and reports to MMB</li> </ul>	14-16 Weeks

## Costs

The services listed above can be provided by Flaherty & Hood, P.A. for a lump-sum of \$7,000. The costs would include the services above, travel time, mileage, and copy costs for internal use. The City will be billed for 3/5 of the total cost at the start of the study and 2/5 of the total cost once the study is complete.

## Other and Additional Services

- **Other Services**

Flaherty & Hood, P.A. can provide the following other services city-wide:

<b>Services</b>	<b>Total Cost</b>
• Prepare PowerPoint and present to incumbent employees explaining the Job Evaluation Point Review	\$750
• Interview using position questionnaires for incumbent employees addressing the skill, effort, responsibility and working conditions of their position	\$3,500
• Establish supplemental variable pay system, such as performance pay, merit pay, and/or skills or competency pay	\$2,000

- **Additional Job Classifications or Same Job Classifications after Review is Complete**

<b>Services</b>	<b>Total Cost</b>
• Draft, review, and analyze position questionnaires for incumbent employee, if any, and management addressing the skill, effort, responsibility and working conditions of the position, and draft new or updated job description and establish points after initial job classification pointed	\$800
• Establish or update points	\$350
• Compile, review and analyze market compensation data, including wages, wage structure, and health insurance benefits, for a job classification	\$800
• Compile, review and analyze market compensation data other than wages, wage structure, and health insurance contributions	\$600 per category

Items in addition to those above or other labor relations, employment law, and human resources services are available to City of St. Joseph and will be billed at the reduced CGMC member hourly rates for attorney and analyst plus expenses.

## **Consultants**

### **Brandon M. Fitzsimmons, Shareholder Attorney**

Brandon is a shareholder attorney and head of Flaherty & Hood, P.A.'s labor, employment law, and human resources practice. Brandon provides legal advice and representation services for public entities throughout Minnesota in labor relations, employment law, and human resources matters, including job classification, compensation, and pay equity issues. Brandon has his Bachelor of Arts in Political Science with Distinction, *cum laude*, from Creighton University and his Doctor of Jurisprudence (J.D.) from William Mitchell College of Law. Brandon is a member of the National and Minnesota Public Employer Labor Relations Associations, SHRM, and MSBA - Labor and Employment Law Section.

### **Karina G. Patino, Legal Analyst**

Karina is a Legal Analyst with the law firm of Flaherty & Hood, P.A. Karina compiles, reviews, researches, and develops analysis in the areas of job classification and compensation, labor law, and employment law for public sector clients. Karina has a Bachelor of Science degree in Paralegal Studies from the Minnesota School of Business. She is a member of the Twin Cities Compensation Network, Society for Human Resources Management, World at Work Compensation Institute, and the Minnesota Paralegal Association.

If you have any questions related to this initial quote or would like to discuss the proposed scope of services, please contact us at your convenience at (651) 225-8840. Thank you for your consideration and the opportunity to submit this initial quote.



<b>POSITION:</b>	<b>ADMINISTRATIVE ASSISTANT</b>
<b>DEPARTMENT:</b>	Administration
<b>IMMEDIATE SUPERVISOR:</b>	City Clerk
<b>HOURS WORKED:</b>	40 Hours per Week, Generally, 8:00 AM – 4:30 PM
<b>FLSA STATUS:</b>	Non-Exempt

### **SUMMARY**

Performs intermediate administrative support work providing administrative, clerical, and receptionist duties in support of daily City operations, and related work as apparent or assigned. Work is performed under the moderate supervision of the City Clerk.

### **ESSENTIAL FUNCTIONS**

- Provides general administrative assistance to City Hall administration and remains flexible in providing administrative assistance to all City departments
- Serves as the receptionist at the administrative window
- Receives, screens, and routes calls, greets visitors, provides information, explanations, and assistance to the public and other employees or refers to appropriate person, and performs a wide range of clerical support activities
- Prepares documents such as forms, statements, memos, correspondence, reports, and planning commission and city council meeting minutes
- Assists the general public at front counter with licenses, permits, payments, etc.
- Provides administrative support for city licensing and permits
- Processes cash, ACH payments and credit card payments; post daily deposits.
- Maintains park shelters and facility scheduling including scheduling in calendar software, distributing forms, verifying rental fee and deposit have been collected and forwarding monthly calendar and updates to the appropriate departments
- Distributes accounts payable invoices and assist with mailing checks for payment of invoices
- Provides website, social media and newsletter updates to City Clerk pertaining to park scheduling and other information pertinent to the essential functions for public information
- Office manager for general office equipment and supplies
- Assists with mass mailings
- Assists with elections
- Serve as Administrative Liaison for Safety Committee, maintain safety training attendance for city staff
- Maintain computer hardware and software inventory
- Coordinates and implements document imaging for other departments
- Performs other duties as assigned

### **REQUIRED KNOWLEDGE, SKILLS AND ABILITIES**

- Thorough knowledge of City and department policies and procedures
- Thorough knowledge of business English, spelling and arithmetic; general knowledge of standard office practices and procedures

- General knowledge of customer service, billing and collection procedures; skill in the use of personal computers, associated software packages, hardware, and job-specific peripheral equipment
- Excellent mathematical and basic accounting and finance skills
- Skill in handling customer complaints and general information requests through phone and/or personal contact
- Ability to handle confidential information with discretion
- Ability to work with limited supervision and as part of a team
- Ability to work under time constraints; ability to work with basic mathematical calculations and keep track of money and receipts
- Ability to communicate effectively in oral and written form
- Ability to utilize work time properly and productively
- Ability to act in a decisive manner, using good judgment
- Ability to use tact and diplomacy and to promote a cooperative atmosphere within the City operations as well as with the public
- Ability to present an attitude of professionalism while maintaining the values and attitudes of the community
- Ability to establish and maintain effective working relationships with co-workers, supervisors, other departments, and the general public

#### **WORKING CONDITIONS/PHYSICAL REQUIREMENTS**

- This work requires the occasional exertion of up to 10 pounds of force
- Work regularly requires sitting, speaking or hearing and using hands to finger, handle or feel, frequently requires repetitive motions and occasionally requires standing, walking, reaching with hands and arms, pushing or pulling and lifting
- Work requires close vision, distance vision, ability to adjust focus and color perception; vocal communication is required for expressing or exchanging ideas by means of the spoken word and conveying detailed or important instructions to others accurately, loudly or quickly
- Hearing is required to perceive information at normal spoken word levels and to receive detailed information through oral communications and/or to make fine distinctions in sound
- Work requires preparing and analyzing written or computer data, operating machines and observing general surroundings and activities
- Work has no exposure to environmental conditions
- Work is generally in a moderately noisy location (e.g. business office, light traffic)

#### **QUALIFICATIONS**

- High school diploma or GED and moderate experience in clerical services including customer contact and some finance and accounting experience, or equivalent combination of education and experience
- Associates/Technical degree preferred

#### **SPECIAL REQUIREMENTS**

- Valid driver's license in the State of Minnesota.



**MEETING DATE:** April 26, 2022

**AGENDA ITEM:** American Rescue Plan Act (ARPA) Reporting

**SUBMITTED BY:** Administration/Finance

**PREVIOUS COUNCIL ACTION:** Council accepted the ARPA federal grant. Council approved server upgrade, technology upgrades (St. Joseph Government Center, Public Works Facility, & Fire Hall), cellular meter reads with ARPA grant funds. Council approved the standard allowance for the revenue loss provision.

**BACKGROUND INFORMATION:** The federal government passed ARPA establishing Coronavirus Relief Fund to states and local governments. The City of St. Joseph is considered a Non-Entitled Unit (NEU) for receiving funding due to population under 50,000. The State of MN determined the allocation formula for NEU's. NEU's received half their funding in 2021, the second half twelve months later. For St. Joseph, we received \$401,666.86 in 2022 and expect the second half in July 2022 for a total of \$803,334. Expenditures must be incurred by Dec. 31, 2024.

The US Treasury issued their Final Rule for the eligible uses of the ARPA funds. There are four main categories for funding.

1. To respond to the COVID-19 public health emergency or its negative economic impacts.
2. To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to such eligible workers of the recipient, or by providing grants to eligible employers that have eligible workers who performed essential work.
3. For the provision of government services, to the extent of the reduction in revenue of such recipient due to the COVID-19 public health emergency, relative to revenues collected in the most recent full fiscal year of the recipient prior to the emergency.
4. To make necessary investments in water, sewer, or broadband infrastructure.

The categories are fairly broad. The US Treasury published FAQs for specific spending guidance. For more information, please visit the US Treasury website at <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-fund/non-entitlement-units>.

Part of the Final Rule clarified #3 above for the loss of revenue. The Final Rule allows communities to use a blanket assumption of up to \$10M revenue loss. The projects funded by ARPA grant dollars can be used on any governmental function less replacement of lost taxes or supplementing pension funds. Council approved this provision in Feb. 2022.

Now almost a year into the grant program, and requests starting to add up, staff wanted to provide council with an update on where we are at with the ARPA dollars. Staff is trying hard to put forth meaningful projects that may not otherwise be done if it were not for the grant money. Recommendations mentioned in Nov. 21 during the budget process included the main server, finance software, cellular meter reads, rescue van, security cameras and technology updates. These items account for about half of the ARPA

grant dollars. Staff recommends not spending down immediately as other needs may come up before the deadline of Dec. 31, 2024. The CARES grant we received in 2020 had to be spent and paid for over a couple months. We followed a different process in spending down the CARES grant as a result.

The table below summarizes the current ARPA grant transactions tracked in Fund 104.

<i>ARPA Grant Transactions</i>	<b>Additions</b>	<b>Deductions</b>	<b>Balance</b>
<i>7-26-21 initial grant proceeds</i>	388,930.46		388,930.46
<i>11-23-21 redistribute unawarded grant proceeds</i>	12,736.40		401,666.86
<i>12-30-21 initial server payment</i>		85,262.39	316,404.47
<i>1-13-22 server payment</i>		1,480.00	<b>314,924.47</b>

Additional costs approved by city council through April 18, 2022 as well as the July 2022 final proceeds.

<i>ARPA Grant Transactions</i>	<b>Additions</b>	<b>Deductions</b>	<b>Balance</b>
<i>2022 Remaining server upgrade costs</i>		13,257.61	301,666.86
<i>3-7-22 Technology equipment/upgrades</i>		24,169.82	277,497.04
<i>4-4-22 Cellular water meters</i>		40,000.00	237,497.04
<i>4-18-22 Fire Hall technology updates</i>		18,385.00	219,112.04
<i>7-22 final grant proceeds</i>	401,666.86		<b>620,778.90</b>

Projects recommended by staff, but not yet approved by city council.

<i>ARPA Grant Transactions</i>	<b>Additions</b>	<b>Deductions</b>	<b>Balance</b>
<i>2022 Rescue Van, city share</i>		96,000.00	524,778.90
<i>2022/2023 Finance software conversion</i>		100,000.00	424,778.90
<i>2022/2023 Security cameras</i>		109,180.00	315,598.90

The amount of ARPA grant dollars remaining at this time is **\$315,598.90** after approved and proposed projects are accounted for.



**MEETING DATE:** April 26, 2022  
**AGENDA ITEM:** Water & Sewer Financial Planning Software  
**SUBMITTED BY:** Finance

**PREVIOUS COUNCIL ACTION:** Council hired Carl Brown Consulting to complete a rate analysis of the water and sewer rates in 2015/2016.

**BACKGROUND INFORMATION:** The finance department has conducted comprehensive rate studies the past several years. The studies consider operations, capital needs, debts, conservation measures and economic factors. Analyzing the rates is very cumbersome with many factors effecting the rate needs. Law changes and stringent water/wastewater quality requirements add to the complexity. Public Works and Finance attend annual seminars to try to keep up with current factors effecting the city utilities. The City also participates in annual rate surveys to compare rates with the local communities and within the State/Region.

From time to time it is recommended to have an external company review the rates. Many cities conduct these reviews periodically as laws and regulations change. In 2015, there were updated to the water conservation laws the City had to ensure we complied. In addition, the water and sewer funds we struggling post the 2008 Great Recession. The City carried a large debt burden in these funds that did not anticipate the housing crash. As a result, large user fees were needed over a few years. The rate analysis in 2015 helped us get through a few difficult years. The City paid \$14,690 for the rate analysis of the water and sewer funds in 2015.

Staff recommends hiring a firm to provide an outside look at the financial health of the water and sewer funds. It has been six years since the last look from a consultant and many moving parts are coming into play that effect these utility funds. It is a good idea to have updates roughly every five years.

In 2021, Finance audited each utility billing account and made improvements to how the units are charged in the utility billing system. In addition, the Badger meter reading device and software were updated in 2021 for more accuracy of meter readings and evaluating the data. In 2022, Council approved converting up to 200 meters with cellular meter reading end points. The cellular reads will be much more user friendly for the customer and city staff.

Finance has been looking at the way we charge our fixed charges (known as line charges for water and sewer on the utility bills). There may be a more equitable way to calculate these charges. Currently in city ordinance, a user is charged on a per unit basis. A single-family home is charged 1 unit. An apartment is charged for each residential unit. For instance, a 35-unit apartment is charged 25 units. For commercial, businesses are charged one unit unless a multi-tenant building. Multi-tenant commercial accounts are charge the number of tenants for the units. CSB has a special calculation to determine the number of units based on the sewer use agreement with CSB. There is a disparity in what the City charges a single-family home versus a commercial account such as Kennedy Community School. Both are charged one unit. The school needs a larger capacity. Staff would like to consider options to update how we charge the line charges as a result.

St. Cloud hired AE2S to complete a rate analysis and to assist with the Foley allocations as they consider connecting to the St. Cloud wastewater treatment facility. Another consultant, Waterworth, working with St. Cloud in their utility's division reached out to us on the software program they use for long-term financial modeling. The finance model works alongside the rate analysis to quickly see the impacts in rate changes. In addition, the financial model provides a "what if" scenario graphing results to assist with decision making. This may be the timing effects of the Foley reimbursements to the City of St. Joseph, adding a new lift station to the system, major repairs such as the sewer forcemain repaired recently, adding large industrial type user, etc. The financial modeling can incorporate the rate analysis, but also does so much more.

Vicky and Lori received a demo of the Waterworth financial model. The software is unique and cannot be compared exactly to another company. There are other companies that can provide some of the features. Waterworth is also able to do some rate analysis. Lori reached out to St. Cloud Utilities for feedback. Their comment was "You are going to love it!" Staff had Waterworth prepare a short demo for the council workshop to get a snapshot of what the program can do. The link to the video is below. The video will be also be presented during the meeting.

<https://www.loom.com/share/272482446e454310b5ce9c4977bac2a5>

The cost to set up the long-term financial modeling with Waterworth is \$7,490 annually for the water and wastewater funds. To add storm sewer to the mix, the cost is \$9,990. With three or more services areas, any additional services Waterworth supports can be added at no addition charge. The 5-year enterprise capital equipment plan has \$8,000 in the fund for a comprehensive rate analysis. Waterworth offers a 90-day free trial of their financial model. The quote includes some rate analysis including converting the line charges. If we need a more in-depth analysis, Waterworth charges \$10,000.

Based on what St. Joseph paid in 2015 from a small company, Waterworth's rates are very reasonable. If council would rather just look at a rate analysis without the financial planning module, staff will need to get quotes. A rate analysis by itself will only consider the current conditions of the water and sewer funds. While long-range rates will be provided, it will not include the unknowns that may (and will) pop up over the years. As larger unique impacts are known, a consultant may need to be hired to update the rate analysis to determine how the City will need to react to the issue.

**BUDGET/FISCAL IMPACT:** \$7,490

**ATTACHMENTS:** Waterworth Quote  
Waterworth Services  
Memorandum



# QUOTE

Lori Bartlett  
Finance Director  
City of St. Joseph, Minnesota  
[lbartlett@cityofstjoseph.com](mailto:lbartlett@cityofstjoseph.com)  
via email

March 21, 2022  
Waterworth Innovations Inc.  
PO Box 23118  
Victoria BC V8V 4Z8  
Canada  
IRS EIN: 98-1320761  
CA GST #: 789699 329 RT0001

Item	Description	Line Total
Waterworth/Muniworth Annual Subscription: 2 Service Areas	Water Service Area Wastewater Service Area Professional Support Package for Water Professional Support Package for Wastewater	\$7490
<b>Total USD</b>		<b>\$7490</b>

### Professional Support Package included with subscription

- Unlimited 1 on 1 assistance with all included tools
- Expert advice with Financial modeling, Cost of Service Analysis, and Rate Design
- Onboarding of external financial model or Pro Forma into Waterworth’s Financial Model and refining model
- Assistance with presenting models internally or to Boards/Councils
- Assistance with onboarding instructions for Assets, Population, Flows or Billing Data
- Training of new staff on Waterworth

### 90-day Free Trial

City of St. Joseph will receive complimentary access to Waterworth's Water and Wastewater Service Areas, along with the Professional Support Package, for the first 90-days following their Get Started Meeting.

At the end of the 90-day term, City of St. Joseph may choose to:

- (1) Start the Waterworth Annual Subscription at the above quoted price.
- (2) Close their Waterworth account and all information will be deleted from our servers. There is no ongoing obligation from either party.

### 3+ Service Areas

If the organization subscribes to 3 service areas, they will then have access to all service areas that Waterworth/Muniworth supports. Customer Success staff will provide access to new service areas upon request.

Thank you,

**Emily Mathison**  
Sales and Marketing Manager  
w: [www.waterworth.net](http://www.waterworth.net)  
e: [emily@waterworth.net](mailto:emily@waterworth.net)  
t: 206-848-7171

**Please make checks payable to Waterworth Innovations Inc.  
Payment by major credit card also accepted – please ask for details**

## Waterworth and Muniworth Services

### Standard Services

#### Professional Support Package – included with subscription

- Unlimited 1 on 1 coaching and assistance with all included tools
- Expert advice with Financial Modeling, Cost of Service Analysis, Infrastructure Analysis and Rate Design
- Onboarding of external financial model or Pro Forma into Waterworth’s Financial Model and refining model
- Assistance with project management and organization to help meet deadlines and stay on track of priorities
- Training to help you more effectively communicate with elected officials and between departments
- Assistance with analysis of complex datasets, and impact analysis of any scenarios or proposed changes
- Assistance with presenting models internally or to Boards/Councils
- Assistance with onboarding instructions for Assets, Population, Flows or Billing Data
- Training of new staff on Waterworth

### Additional Services

**All items in the following additional services packages can be completed by staff with Waterworth’s expert guidance as included in the Professional Support Package for no additional charge.**

However, if staff would like to outsource this work to Waterworth as a turnkey solution, please see pricing below. Prices are one time, stated as a budget, and in addition to a Waterworth/Muniworth subscription.

#### Infrastructure Analysis Package - \$2000

Using an export of the entire linear and non-linear asset inventory from a GIS, Waterworth staff will:

- Work with the data to make it able to be onboarded into Waterworth’s system
- Work with the customer to establish unit costs and ensure the data provided is correct
- Perform analysis of the system infrastructure, identifying possible infrastructure deficits and identifying upcoming asset replacement projects
- Determine recommended annual capital reinvestment costs over time, looking as far as 100 years into the future
- Produce a report based on the findings and optional presentation of this report



### Rate Recommendations Package - \$3000

Using an export of a year of billing data from the customer's billing software, Waterworth staff will:

- Manipulate the raw data to be able to be onboarded into Waterworth's system
- Perform an integrity analysis of the data to ensure as few errors or bad data as possible
- Analyze the billing data to determine equity between customer classes, as well as revenue stability and analysis of water use distribution across customer base
- Reconcile the billing data using Waterworth's rate card tool
- Provide up to 3 rate recommendations based on organization's goals for water sustainability and revenue requirements
- Produce a report detailing findings and recommendations, and optional presentation of this report

### Cost of Service Package - \$5000

Using the customer's accurate financial revenue requirements, asset inventory, and billing datasets, Waterworth staff will:

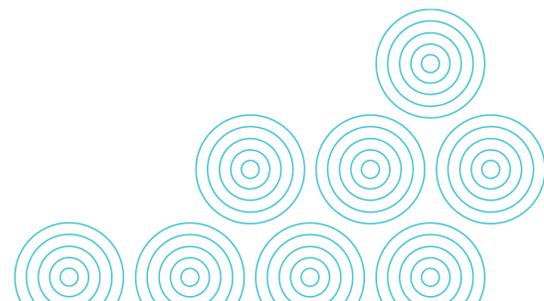
- Establish relevant functional cost components
- Determine relevant customer categories including inside/outside customers
- Develop an allocation of operating expenses to functional components
- Develop an allocation of asset base to functional components
- Allocate cost responsibility between customers based on demand characteristics
- Establish return on rate base according to utility-basis methodology
- Compare current customer cost allocation with new recommended allocation
- Develop a rate schedule for transitioning to new allocation
- Produce a report including findings and recommended 3 year rate schedule, and optional presentation of this report

### Full Rate Study - \$10,000

A full rate study by Waterworth includes all services and deliverables of the Infrastructure Analysis, Rate Recommendations and Cost of Service packages, in addition to a 1 year Waterworth/Muniworth subscription.

If any additional miscellaneous services are required, Waterworth can refer agencies to one of its partners.

Alternatively, users may conduct their own rate study using the Waterworth platform without additional support services for no additional charge. In this case, all services in the Professional Support Package are available and work plan may be developed with Waterworth staff to guide this process.



# MEMORANDUM

**Date:** April 26, 2022

**To:** St. Joseph City Council

**From:** Lori Bartlett, Finance Director

**Subject:** Waterworth Continuous Utility Rate Management and Forecasting Solution

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## Introduction and Summary

Setting water rates is an annual challenge for staff. It requires considerable effort to ensure rates are both affordable for residents, but also sufficient to meet the long-term costs of providing the service. Waterworth, a continuous utility rate management and forecasting solution, will enable us to complete rate reviews more efficiently and effectively, and communicate results more easily. Using this tool (which includes professional support) will make the need for rate changes more transparent and defensible to residents. There will also be less risk that renewal of critical infrastructure will be underfunded over the long term, which will mean a more sustainable community (see [www.waterworth.net](http://www.waterworth.net)).

## Recommendation

THAT City Council approve use of Waterworth to set water rates for at least one year, after which staff will review the results and determine whether to continue using the tool on an ongoing basis.

## Discussion

Setting water rates is difficult because it requires striking a delicate balance between collecting sufficient revenue to cover all costs associated with providing the service, and keeping rates low so they are affordable. Staff must do this analysis every year to ensure revenues will meet budget needs. Since this is time consuming, it can draw effort away from other important projects. Results rely on complicated Excel-based financial models that are not easy to interpret or communicate. This can make it difficult to defend proposed changes to residents. However, the alternative of bringing in outside consultants is prohibitively expensive, and supporting these kinds of contracts is also very labor intensive.

Recent advances in cloud-based technology have made a promising new option for water rate management possible. Waterworth is an affordable and easy to use cloud-based solution that will allow us to continue to do rates analysis in-house, combined with professional support, when and if we need it. It also employs clear data visualization and is made for collaboration. Waterworth users report to save 50-90% of their cost and time on rate analysis and approval compared to using in-house Excel models or outsourcing to consultants.

The founder of Waterworth, JP Joly, has worked in rates consulting for over a decade, and invested his experience into developing this new tool. Because of this experience, the Waterworth team can also provide professional support to users via zoom, phone, email and

online chat. Waterworth is being used successfully by over 100 communities around North America.

Waterworth is funded through an annual subscription and professional support package for a price of \$7,490 for 2 service areas or \$9,990 for 2 service areas. By comparison, the cost of a consulting contract to undertake a water rate study can range from \$15,000 to \$150,000 or more, depending on what is included in the scope of work. Subscribing to Waterworth does not entail any long-term commitments. Staff can simply export our data and discontinue use at any time with no penalty, then either revert to doing rates analysis entirely in-house or explore other options.

The advantages of using Waterworth include the following:

- easy access to real-time, readily-communicated information about the full costs of funding our water services and our revenue options to meet that requirement;
- enhanced ability to run different scenarios and explore opportunities to control costs and keep rates as low as possible;
- the simple graphic interface provides better ability to communicate the need for rates and rate changes — decision-makers and the public will be able to clearly see how revenue is used to fund essential water services;
- reduced risk of underfunding infrastructure replacement, which will reduce public health and safety risks and lead to a more liveable community over the long-term;
- reduced staff effort on annual rates analysis, freeing up capacity to focus on other important projects;
- low cost compared to using consultants, with no long-term commitments required; and,
- ability to access professional support any time to help with rate setting challenges and ensure we are following best practices.

Staff recommend that we commence a one-year trial of Waterworth, with the option of continuing use in future years if it proves to be a better way forward for water rate management for our community.

Regards

Lori