



March 16, 2021

Mark O'Neill  
Director of Municipal Utilities  
City of Marquette  
850 W. Baraga Ave.  
Marquette, MI 49855

**Subject: City of Marquette Utility Financial Plan Update and Affordability Analysis**

Dear Mr. O'Neill:

We appreciate the opportunity to continue to be of service to the City of Marquette (City). In 2020, Raftelis completed a ten-year financial planning and rate design study for the City's water, sewer and stormwater utilities. It is our understanding that the City would like to update the financial plan to determine the level of revenue necessary to support ongoing operations and maintenance, capital reinvestment and financial sustainability over the next ten (10) years. The City would also like an analysis of the affordability of water and sewer rates for City customers. We are proposing to perform the scope of services outlined below for a total not to exceed price of \$31,220.

**Task 1 – Project Initiation and Kick-Off**

Raftelis will facilitate a virtual kickoff meeting with City staff. This meeting will provide a solid foundation for the project and serve as a forum in which City staff can provide input on study expectations, study issues, project approach, scope, schedule, and priorities.

Raftelis will provide the City with a preliminary data request list prior to the kick-off meeting, the type of information necessary for this project includes historic financial and billing data, operating budgets, planned capital improvement expenditures, and debt service.

**Task 2 – Demand Projection**

The demand projection will be a critical aspect of the financial plan update. It is our understanding that the City's billed water and sewer usage continues to decline on a per capita basis. We will examine the trend since our last study and modify our forward-looking projections of demand to account for this worsening trend. For stormwater we will evaluate the trend in accounts by tier (for residential) and equivalent hydraulic units (for non-residential). Based on these demand projections we will forecast revenue under the City's existing rates over the forecast period, this will provide a baseline for proposed revenue adjustments for each utility.

**Task 3 – Revenue Requirements**

Raftelis will project the revenue requirements for each utility over the ten-year forecast period. These revenue requirements will include operating and maintenance expense, capital expenditures, debt service, contributions to other funds, contributions to reserves, and any other funding obligation of each utility over the forecast period. In addition to the more general aspects of the City's budget, we will evaluate the impact of specific cost drivers for each utility such as the ongoing impact of the City's performance management contract for water and sewer, as well as the potential for a large capital project at the Marquette Area Wastewater Treatment Plant, which will impact sewer costs.

**Task 4 – Utility Financial Plans**

Based on the projections of demand developed in Task 2 and the revenue requirements for each utility developed in Task 3 we will develop a financial plan for each utility over the forecast period. The financial plan will examine various factors, including reserve balances, debt service coverage, and capital financing, to determine the revenue adjustments necessary to provide adequate funding for each utility over the forecast period.

**Task 5 – Affordability Analysis**

We will conduct a high level affordability analysis which examines the affordability of the City's rates using data available from the U.S. Census Bureau's American Communities Survey (ACS). We will examine the impact on typical City customers (in aggregate) based on City-wide metrics and metrics by ACS Census tract. We will use industry standard metrics such as median household income, lowest quintile income hours worked at minimum wage and AR20 to assess affordability.


**Task 6 – Presentations**

Raftelis will develop presentation materials and present the results of the study at up to two *onsite* meetings with the Marquette City Commission.

We are ready to begin this work for the City at any time, we proposed to complete Tasks 1 through 6 for a not-to-exceed price of \$31,220 as shown in the table below. We will bill the City monthly for time and expenses expended in the previous month.

Thank you for your time and consideration, we appreciate this opportunity to be of service to the City. If you have any questions about this proposal or any other issue, please feel free to contact me at (816) 285-9023 or [cdrat@raftelis.com](mailto:cdrat@raftelis.com).

Sincerely,  
RAFTELIS FINANCIAL CONSULTANTS, INC.



Collin Drat  
Manager