

System Recap

Citizen Rate Review Committee Meeting

February 15, 2018

Agenda

- Summary of Findings
 - Water
 - Sewer
 - Stormwater
 - Transportation
- Combined System
 - Bills
 - Reserves

Water System Capital Improvement Plan

Inflation- Adj	Fiscal Year						
Capital	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Current Plan	2,030,000	2,038,370	2,278,813	4,145,888	2,565,738	2,320,693	15,379,502
Prior Plan	\$758,544	\$1,319,469	\$1,260,570	\$457,913	\$770,163	\$793,268	5,359,927
Difference	\$1,271,456	\$718,901	\$1,018,243	\$3,687,975	\$1,795,575	\$1,527,425	\$10,019,575

Key Additions to Current Plan:

- *Redundant Water Supply (\$4 m)*
- *Chehalem Drive Extension (\$1 m)*
- *Bell Pump stations (\$2.5 m)*
- *Pipe upsizing and replacement (\$2 m)*

Current Structure & Updated* Rates (Fixed Charges)

<i>Scenario: Fixed Charge Revenue =</i>		<i>28%</i>	<i>30%</i>
	Adopted	Proposed	
Customer Class	FY 2017-18	FY 2018-19	FY 2019-20
Service Charge (\$/Month)	\$2.18	\$2.37	\$2.37
Meter Charge (\$/Month)			
3/4"	\$12.95	\$14.35	\$15.90
1"	\$22.02	\$24.40	\$27.03
1-1/4'	\$32.38	\$35.88	\$39.75
1-1/2"	\$42.74	\$47.36	\$52.47
2"	\$68.64	\$76.06	\$84.27
3"	\$129.50	\$143.50	\$159.00
4"	\$216.27	\$239.65	\$265.53

*3.5% increase per year

All rates assumed to be effective January 1 of the fiscal year

Current Structure & Updated* Rates (Volume Charges)

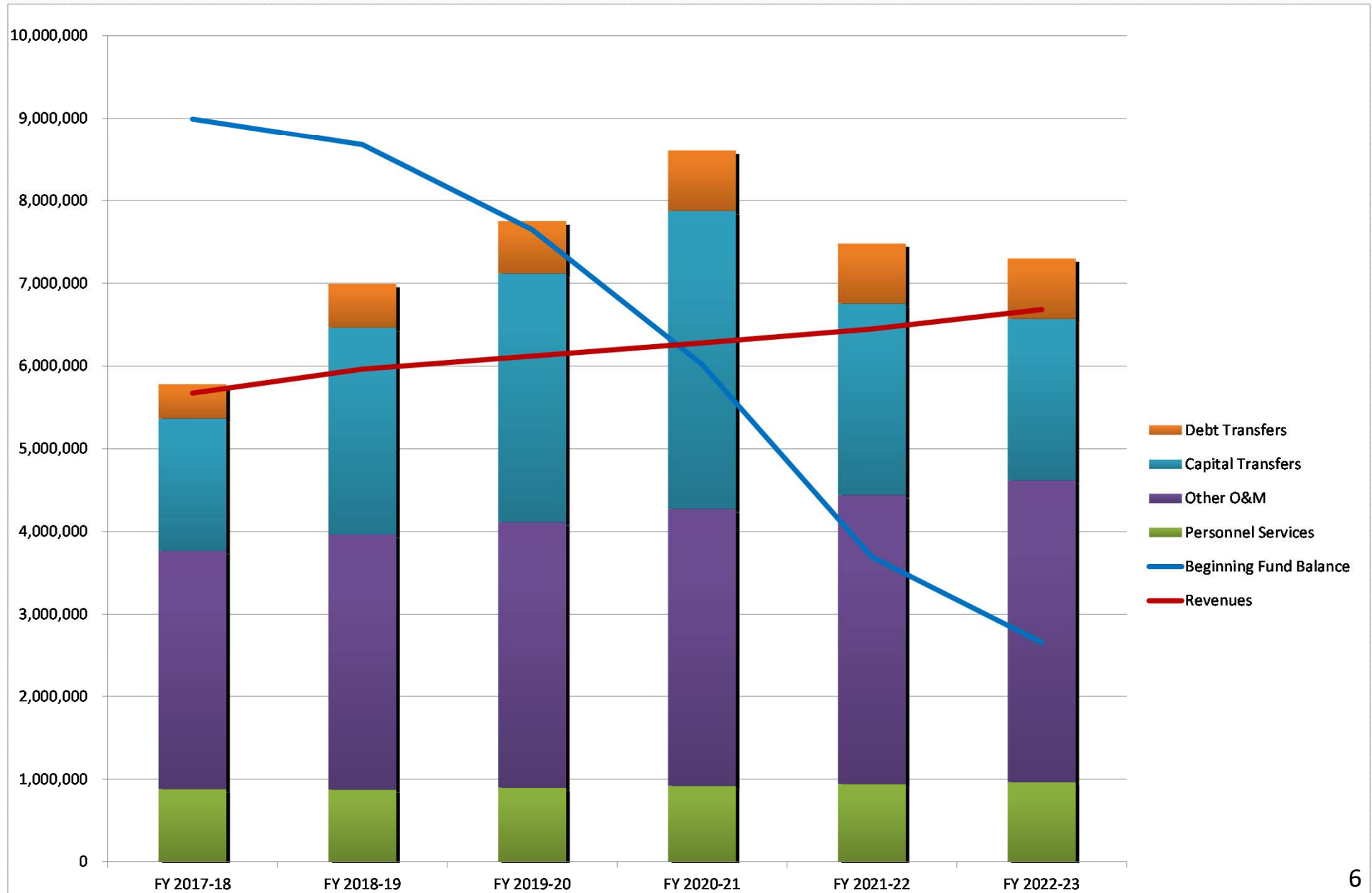
- Differentials reflect both updated peaking factors and shifting costs to fixed charges

<i>Scenario: Fixed Charge Revenue</i>		28%	30%		
	Adopted	Proposed		% Increase	
Customer Class	FY 2017-18	FY 2018-19	FY 2019-20	FY 2018-19	FY 2019-20
Volume Charge (\$/ccf)					
Residential	\$4.00	\$3.98	\$4.01	-0.7%	1.0%
Multifamily	\$3.27	\$3.22	\$3.26	-1.4%	1.0%
Commercial	\$3.94	\$4.07	\$4.11	3.3%	1.0%
Industrial	\$4.15	\$4.30	\$4.37	3.7%	1.5%
Irrigation	\$7.20	\$7.60	\$7.67	5.6%	0.9%
Outside City	\$6.01	\$5.96	\$6.02	-0.8%	1.0%
Public Agency	\$4.11	\$4.33	\$4.40	5.5%	1.5%

*3.5% increase per year

All rates assumed to be effective January 1 of the fiscal year

Financial Forecast - Water



Sample Bills – Average Bills

Scenario: Fixed Charge Revenue =				28%	30%		
CUSTOMER CLASS	Meter Size	Monthly Use (ccf)	Adopted Jan. 1 2018	Proposed		Annual \$ Increase	
				FY 2018-19	FY 2019-20	FY 2018-19	FY 2019-20
Residential	3/4"	7.0	\$43.16	\$44.54	\$46.37	\$1.38	\$1.83
Multifamily	1"	48.1	\$181.35	\$181.75	\$185.99	\$0.40	\$4.24
Commercial	1"	31.7	\$149.20	\$155.87	\$159.81	\$6.67	\$3.94
Industrial	1 1/2"	97.4	\$449.12	\$469.04	\$480.45	\$19.92	\$11.41
Irrigation	2"	51.0	\$437.93	\$466.25	\$477.82	\$28.32	\$11.57
Outside City	3/4"	7.0	\$57.20	\$58.44	\$60.41	\$1.24	\$1.97
Public Agency	2"	55.2	\$297.45	\$317.61	\$329.41	\$20.16	\$11.80
				Percent Change			
S-F Residential				3.2%	4.1%		
Multifamily				0.2%	2.3%		
Commercial				4.5%	2.5%		
Industrial				4.4%	2.4%		
Irrigation				6.5%	2.5%		
Outside City				2.2%	3.4%		
Public Agency				6.8%	3.7%		
System-Wide				3.5%	3.5%		

All rates assumed to be effective January 1 of the fiscal year

Water Summary

- Significant capital improvement identified in short-term in recently completed Master Plan
- Updated rate structure reflects increased fixed revenue share to 30% (from 26%)
- Rate increase scenarios
 - 3.5% increases needed to fund capital
 - 4.0% needed to meet \$1 m reserve (almost “low” target)
 - 4.75% increases would meet medium level reserve targets

Wastewater *Capital Improvement Plan*

Inflation- Adj Capital	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Total
Current Plan	\$4,395,000	\$1,503,800	\$2,790,167	\$4,021,235	\$2,172,232	\$1,565,020	\$16,447,454
Prior Plan	\$3,400,185	\$805,886	\$2,757,497	\$1,854,838	\$2,757,066	\$3,289,913	\$14,865,385
Difference	\$994,815	\$697,914	\$32,670	\$2,166,397	-\$584,834	-\$1,724,893	\$1,582,069

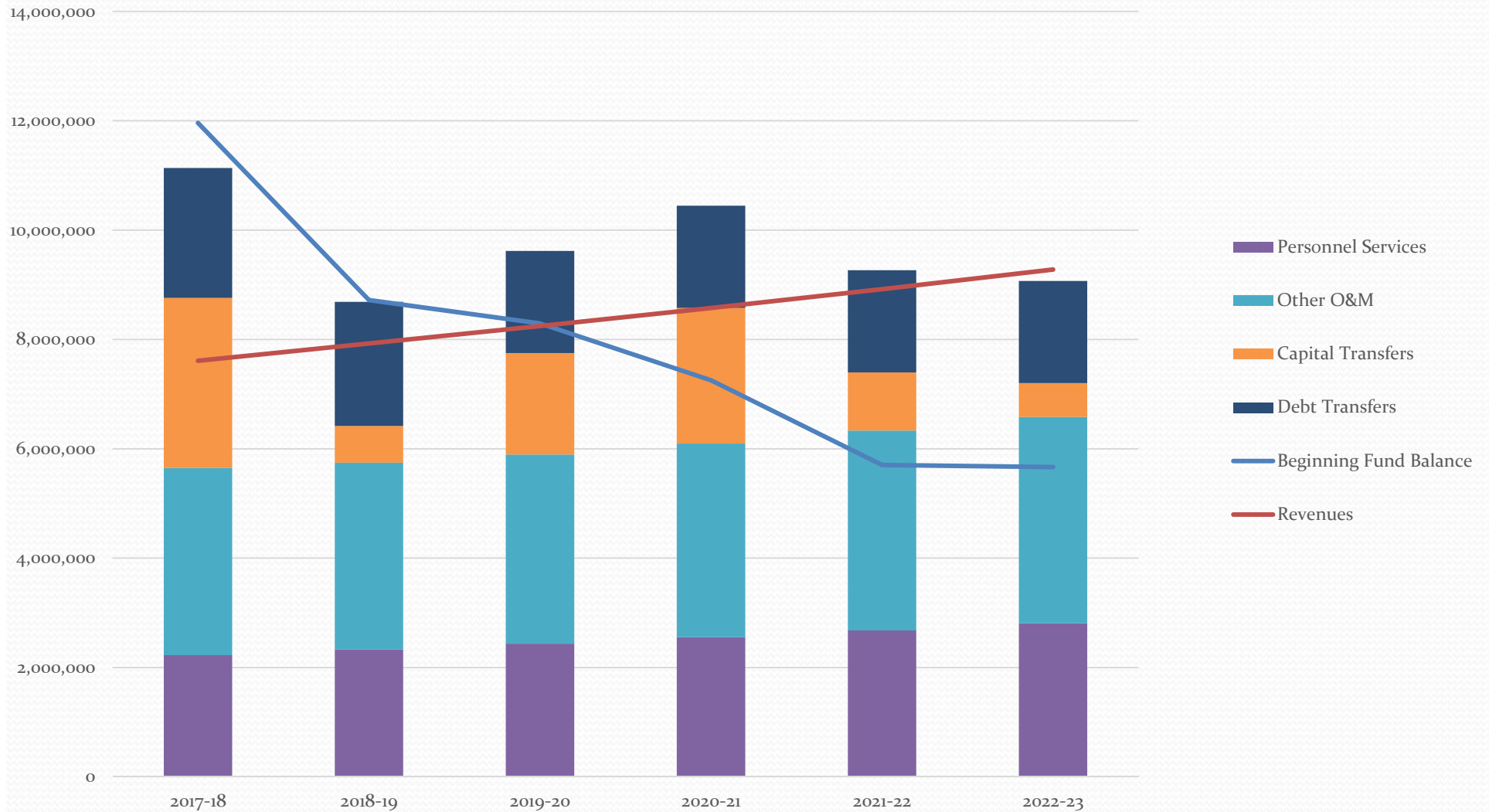
Current & Updated* Rates

	Adopted	Proposed	Proposed
Component	2017-18	2018-19	2019-20
Service Charge (\$/Month)	\$22.57	\$26.16	\$27.21
Multifamily Unit Charge	\$19.89	\$22.84	\$23.79
Volume Charge (\$/ccf)			
Single Family	\$8.86	\$8.65	\$8.93
Multifamily	\$8.86	\$8.65	\$8.93
Commercial - 1	\$8.86	\$8.65	\$8.93
Commercial - 2	\$10.86	\$10.81	\$11.15
Commercial - 3	\$17.78	\$18.26	\$18.83
Industrial	\$10.86	\$10.81	\$11.15

*3.5% increase per year

All rates assumed to be effective January 1 of the fiscal year

Financial Forecast - Sewer



Sample Bills – Average Bills

CUSTOMER CLASS	Monthly Use (ccf)	Adopted Jan. 1 2018	Proposed		\$ Increase	
			2018-19	2019-20	2018-19	2019-20
Single Family	4.7	\$64.59	\$67.19	\$69.56	\$2.60	\$2.37
Multifamily	43.4	\$626.04	\$652.93	\$676.52	\$26.89	\$23.59
Commercial - 1	11.2	\$121.43	\$122.68	\$126.83	\$1.25	\$4.15
Commercial - 2	75.1	\$838.17	\$837.34	\$864.14	(\$0.83)	\$26.80
Commercial - 3	46.9	\$856.21	\$882.25	\$910.02	\$26.04	\$27.77
Industrial	26.2	\$307.59	\$309.66	\$319.70	\$2.07	\$10.04
			Percent Change			
Single Family			4.0%	3.5%		
Multifamily			4.3%	3.6%		
Commercial - 1			1.0%	3.4%		
Commercial - 2			-0.1%	3.2%		
Commercial - 3			3.0%	3.1%		
Industrial			0.7%	3.2%		
System-wide rate increase			3.50%	3.50%		

All rates assumed to be effective January 1 of the fiscal year

Wastewater Summary

- Capital improvement plan consistent with prior study
- Updated rate structure reflects increased fixed revenue share to 35% (from 30%)
- Rate increase scenario
 - 3.5% increases needed to fund capital; and meets medium level reserve targets

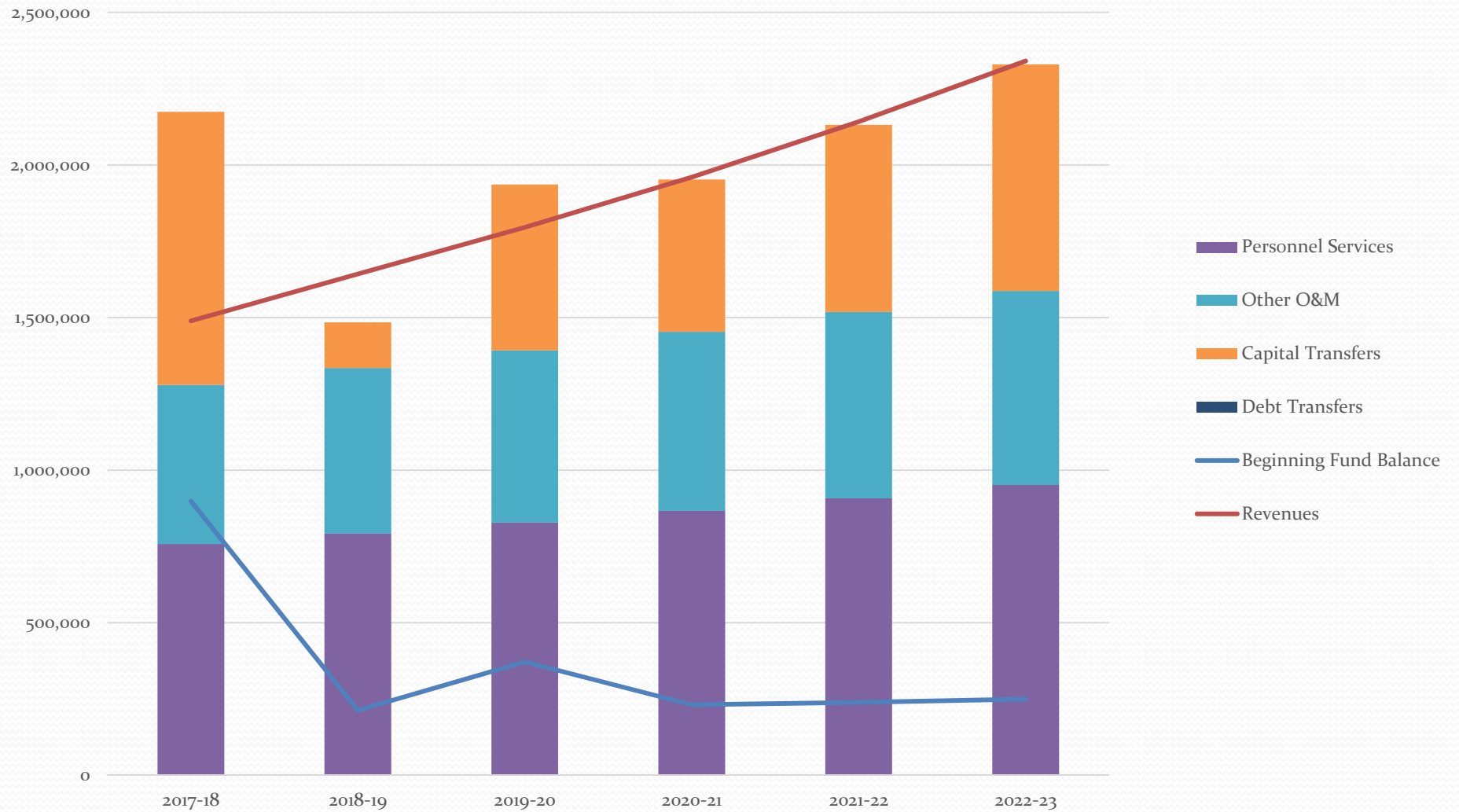
Stormwater **Capital Improvement Plan**

Inflation- Adj Capital	FY 2018	FY 2019	FY 2020	FY 2021	Total
Current Plan	\$950,000	\$154,500	\$596,756	\$601,000	\$2,302,256
Prior Plan	\$498,623	\$587,341	\$540,244	\$695,564	\$2,321,772
Difference	\$451,377	-\$432,841	\$56,512	-\$94,564	-\$19,516

Projected Stormwater Rates/Bills

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<i>Projected Rate Increase</i>		9.00%	9.00%	9.00%	9.00%	9.00%
<i>Typical Residential Bill</i>	\$10.30	\$11.23	\$12.24	\$13.34	\$14.54	\$15.85
<i>Bill Change</i>		\$0.93	\$1.01	\$1.10	\$1.20	\$1.31

Financial Forecast - Stormwater



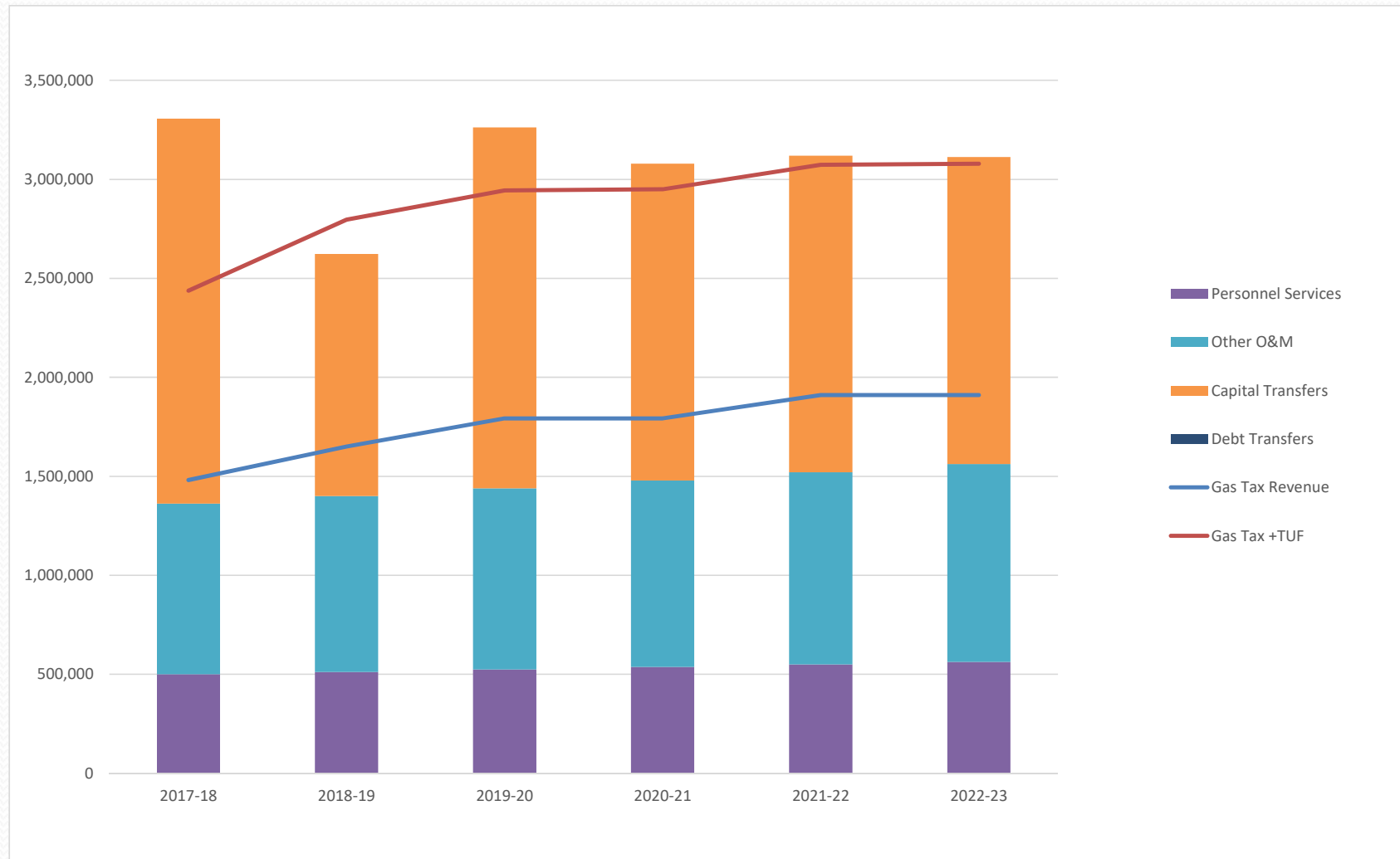
Stormwater Summary

- Capital improvement plan consistent with prior study
- Rate increases needed to continue building rate capacity for capital improvements
- Rate increase scenario
 - 9.0% increases needed to fund capital
 - Almost achieves low level reserve targets

Transportation Capital Improvement Plan

		FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
CIP Expenditure		\$5,892,337	\$ 1,428,920	\$ 2,406,826	\$ 2,270,522	\$ 1,831,540	\$ 2,571,660
<i>Project Name</i>							
Bicycle Route Improvements		\$ 5,000	\$ 5,140	\$ 5,284	\$ 5,432	\$ 5,584	\$ 5,740
ADA/Sidewalk Improvements		-	25,700	26,420	27,159	27,920	28,702
Pavement Maintenance Program		1,182,337	822,400	1,479,498	1,412,286	1,340,151	1,377,675
Villa Road; Haworth - Crestview		2,715,000	-	-	-	-	-
Elliot Road; 99W - High School		-	359,800	792,588	814,780	-	-
Crestview Drive; 99W - Springbrook Road		1,840,000	-	-	-	-	-
College Street Bikelanes & Sidewalk to Mountainview		120,000	205,600	-	-	-	-
N. Springbrook Road including signal at Haworth		-	-	-	-	446,717	1,148,063
Traffic Calming		-	10,280	10,568	10,864	11,168	11,481
LED Conversion		-	-	-	-	-	-
PW Facility		30,000	-	-	-	-	-
Street Sweeper Replacement (25% street/75% storm)		-	-	92,469	-	-	-
		-	-	-	-	-	-
SDC Eligible		\$4,147,750	\$287,840	\$634,070	\$651,824	\$357,374	\$918,450
Street Fund Supported		\$1,744,587	\$1,141,080	\$1,772,755	\$1,618,697	\$1,474,166	\$1,653,210
Gas Tax		\$787,250	\$341,080	\$372,755	\$418,697	\$274,166	\$503,210
TUF		\$957,337	\$800,000	\$1,400,000	\$1,200,000	\$1,200,000	\$1,150,000

Financial Forecast – Streets



Transportation Summary

- Transportation Utility Fee implemented in September 2017
- Current rates supplemented with gas taxes sufficient to meet identified pavement projects
 - No TUF increase recommended
- Additional funding sources needed in the future to fully address pavement needs

Typical Residential Bill – All Systems

Overall Increase					1-Jan	1-Jan
2019	2020	System	Units	Current	2019	2020
3.5%	3.5%	Water	7	\$43.16	\$44.54	\$46.37
3.5%	3.5%	Sewer	5	\$66.87	\$69.41	\$71.85
9.0%	9.0%	Storm	1	\$10.30	\$11.23	\$12.24
		TUF	1	\$4.99	\$4.99	\$4.99
		Public Safety	1	\$3.00	\$3.00	\$3.00
		Communication	1	\$2.04	\$2.04	\$2.04
		Total		\$130.36	\$135.21	\$140.49
		<i>Difference \$</i>			\$4.85	\$5.27
		<i>Difference %</i>			3.7%	3.9%

Typical Residential Bill – All Systems (Water 4%)

Overall Increase					1-Jan	1-Jan
2019	2020	System	Units	Current	2019	2020
4.0%	4.0%	Water	7	\$43.16	\$44.83	\$46.84
3.5%	3.5%	Sewer	5	\$66.87	\$69.41	\$71.85
9.0%	9.0%	Storm	1	\$10.30	\$11.23	\$12.24
		TUF	1	\$4.99	\$4.99	\$4.99
		Public Safety	1	\$3.00	\$3.00	\$3.00
		Communication	1	\$2.04	\$2.04	\$2.04
		Total		\$130.36	\$135.50	\$140.96
		<i>Difference \$</i>			<i>\$5.14</i>	<i>\$5.46</i>
		<i>Difference %</i>			<i>3.9%</i>	<i>4.0%</i>

Reserves – All Systems

	Wastewater	Stormwater	Water		
<i>Annual Rate Increase</i>	3.5%	9%	3.5%	4.0%	4.75%
Operating Contingency (60 days)	\$1,081,992	\$260,906	\$761,773	\$763,106	\$764,617
Debt Service (1 Year)	\$2,098,814	\$0	\$876,823	\$876,823	\$876,823
Rate Stabilization/R&R*	\$3,002,231	\$322,911	\$607,821	\$1,034,937	\$1,473,232
Subtotal Operating/Capital	\$6,183,037	\$583,817	\$2,246,417	\$2,674,866	\$3,114,672
SDC Fund Balance	\$1,964,677	\$227,051	\$61,921	\$61,921	\$61,921
Combined	\$8,147,713	\$810,868	\$2,308,339	\$2,736,787	\$3,176,594
*Potential Reserve Policy Targets					
Total					
Low (2% Asset Value +5% sales revenue)	\$2,350,000	\$404,374	\$1,321,989	\$1,321,989	\$1,339,289
Medium (Rep. Value excl. debt +5% sales revenue)	\$3,550,000	\$654,012	\$1,621,989	\$1,621,989	\$1,639,289
High (Rep. Value +10% sales revenue)	\$4,800,000	\$768,186	\$2,543,979	\$2,543,979	\$2,543,979

Reserves – All Systems (7% Franchise Fee)

	Wastewater	Stormwater	Water
<i>Annual Rate Increase (FY2019/FY2020)</i>	3.5%	9%	3.5%
Operating Contingency (60 days)	\$1,112,497	\$268,414	\$782,945
Debt Service (1 Year)	\$2,098,814	\$0	\$876,823
Rate Stabilization/R&R*	\$2,091,770	\$123,383	-\$44,884
Subtotal Operating/Capital	\$5,303,081	\$391,797	\$1,614,884
SDC Fund Balance	\$1,964,677	\$227,051	\$61,921
Combined	\$7,267,757	\$618,848	\$1,676,806
*Potential Reserve Policy Targets			
Total			
Low (2% Asset Value +5% sales revenue)	\$2,350,000	\$404,374	\$1,321,989
Medium (Rep. Value excl. debt +5% sales revenue)	\$3,550,000	\$654,012	\$1,621,989
High (Rep. Value +10% sales revenue)	\$4,800,000	\$768,186	\$2,543,979

Reserves – All Systems (7% Franchise Fee – Water 4-5%)

			FY2020	FY2023
	Wastewater	Stormwater	Water	Water
<i>Annual Rate Increase (FY2019/FY2020)</i>	3.5%	9%	4.0%	5.0%
Operating Contingency (60 days)	\$1,112,497	\$268,414	\$700,115	\$786,247
Debt Service (1 Year)	\$2,098,814	\$0	\$1,230,211	\$876,823
Rate Stabilization/R&R*	\$2,091,770	\$123,383	\$3,984,701	\$528,183
Subtotal Operating/Capital	\$5,303,081	\$391,797	\$5,915,027	\$2,191,253
SDC Fund Balance	\$1,964,677	\$227,051	\$61,921	\$61,921
Combined	\$7,267,757	\$618,848	\$5,976,949	\$2,253,175
*Potential Reserve Policy Targets				
Total				
Low (2% Asset Value +5% sales revenue)	\$2,350,000	\$404,374		\$1,321,989
Medium (Rep. Value excl. debt +5% sales revenue)	\$3,550,000	\$654,012		\$1,621,989
High (Rep. Value +10% sales revenue)	\$4,800,000	\$768,186		\$2,543,979

Discussion