

# City of Idaho Springs

October 14, 2019 City Council Meeting  
Presented by Andrew Rheem, Raftelis



# AGENDA

- Financial plan overview
- Water
  - › 2019 through 2024 water financial plan
  - › 2020 rates and bill impact
- Wastewater
  - › 2019 through 2024 water financial plan
  - › 2020 rates and bill impact
- Combined 2020 typical residential bill
- Questions





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# **Water and Wastewater Financial Plan, Cost of Service and Rates**



# Prudent Utility Financial Planning

- Revenue sufficient to maintain the financial stability of the water and wastewater enterprises and:
  - › Fund annual O&M expenses, debt service payments and capital improvements and other requirements
  - › Exceed annual debt service coverage ratio targets with adequate revenues
    - Target is 150% of annual debt service for total existing and proposed loans
  - › Exceed annual operating and capital reserve targets with adequate reserves
    - 20% of O&M
    - Contingency of \$75,000 (water) and \$50,000 (wastewater)
    - Next year's debt service (existing and proposed)

# Financial Performance Requirement - Annual Debt Service Coverage

- Debt service coverage ratio:

$$\frac{(Revenues - O\&M \text{ expenses})}{Annual \text{ debt service}}$$

- **Legal requirement is 110% of annual debt service**
  - › Loan covenants of existing loans applicable to combined water and wastewater enterprise fund
- **Financial planning target is 150% of annual debt service**
  - › Provides flexibility when revenues are below projected and/or O&M expenses exceed budget



# Required and Adopted City Reserve Policies

- Outstanding utility debt requires cash reserves
  - › Operating Reserve required minimum of **90 days (25%)** of O&M expenses
- Adopted City policies for water and wastewater utility funds
  - › Target of **72 days (20%)** of O&M expenses PLUS
  - › Budgeted contingency PLUS
    - \$75,000 for water and \$50,000 for wastewater
  - › Next year's debt service
- Rate Stabilization Fund Reserve may be used to meet debt service coverage ratio



# Current Rate Structure

Description	Water	Sewer
Bi-Monthly Base Rate 1 (1) (2)	\$65.00	\$46.50
Bi-Monthly Base Rate 2 (1) (2)	100.00	93.00
<b>Volume Charge per 1,000 gallons (3)</b>		
0 – 10,000 gallons	\$4.15	\$5.02
10,001 – 30,000 gallons	5.19	5.02
Over 30,000 gallons	6.23	5.02
Commercial – Low Strength (3)	6.95	6.76
Commercial – Medium Strength (3)	6.95	12.00
Commercial – High Strength (3)	6.95	18.00
Municipal (3)	8.50	6.76
Indian Springs (3)	6.95	13.00

**(1) Water base per EQR. Multi-family is 1.0 EQR for the 1<sup>st</sup> dwelling unit and 0.9 EQRs for each additional dwelling unit.**

**(2) Base rate 1 applies to residential and base rate 2 applies to non-residential customers.**

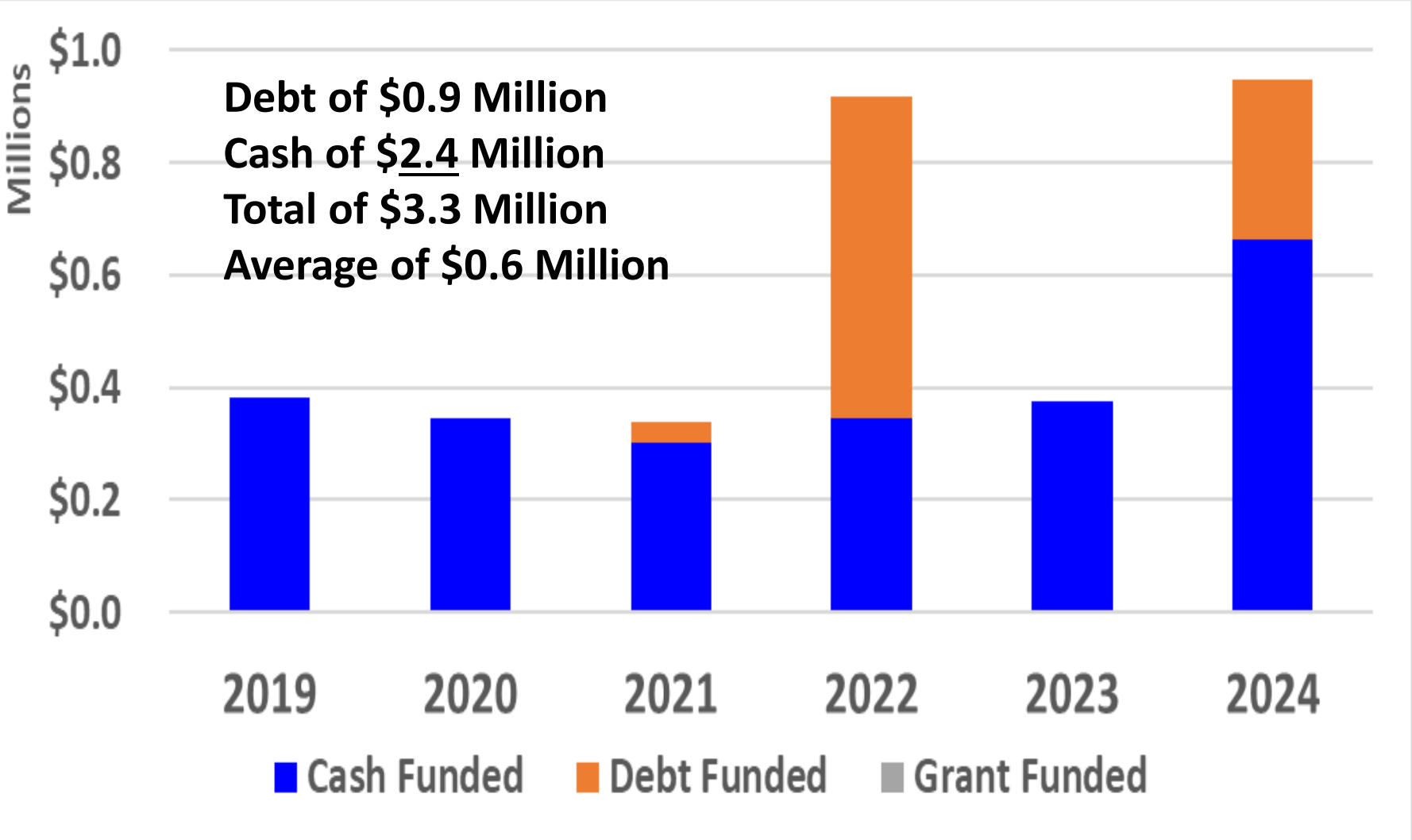
**(3) Avg. water use during Nov – Apr. Other months based on lessor of actual or average of Nov – Apr period use.**



# Water Fund Financial Plan, Cost of Service and Rates



# Water Fund Capital Projects (Inflated \$'S)

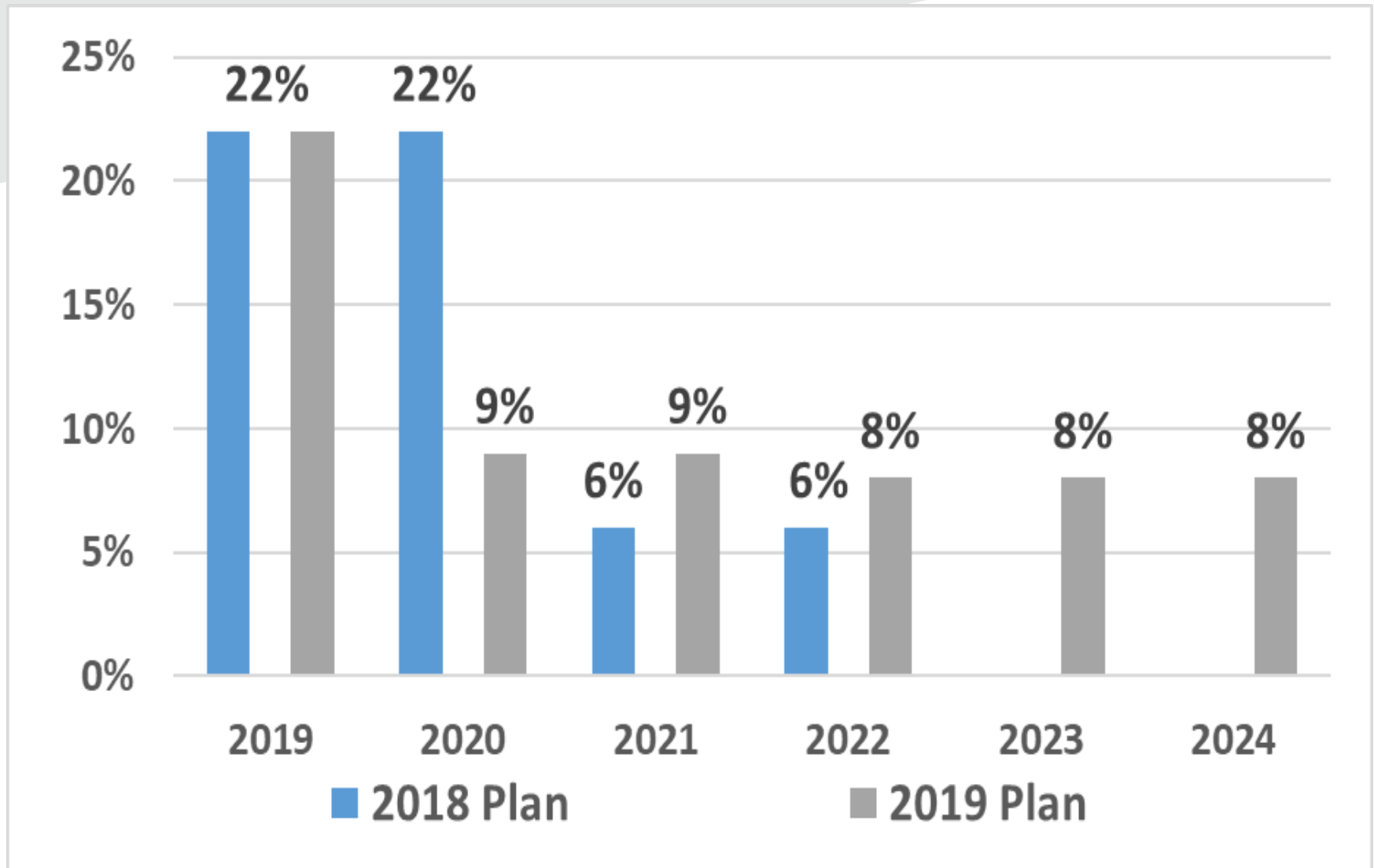


# Water CIP (Inflated) External Debt Funded Projects

- Sedimentation Tank \$410,000—  
2020/2021
- 2-inch water line to ball field \$70,000  
– 2022
- WTP Access Road \$130,000 2022
- Highway 103 water line \$3.5M—  
2024/2025/2026
  - › Cathodic protection first in  
2020/2021/2022



# Water Rate Revenue Increases



# Water Rate Structure – 2019 and Proposed 2020 (1)

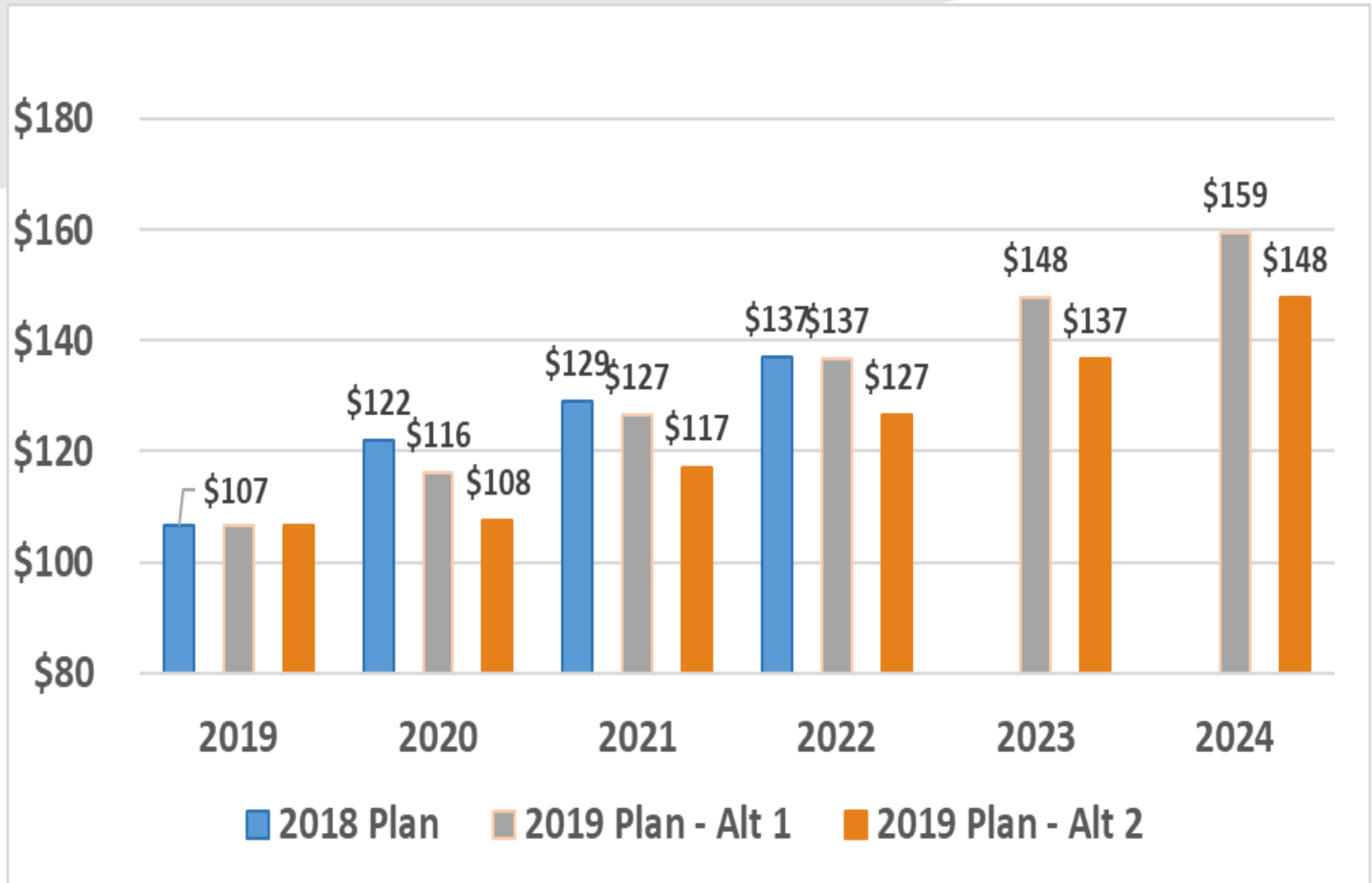
Description	Volume (gallons)	Residential Annual Volume Use (%)	2019	2020 Alt 1 (3)	2020 Alt 2 (3)
Base Rate 1 (2)	N/A	N/A	\$65.00	70.85	\$65.00
Base Rate 2 (2)	N/A	N/A	100.00	109.00	130.00
Tier 1	0 to 10,000	79%	\$4.15	\$4.52	\$4.25
Tier 2	10,001 to 30,000	17%	5.19	5.66	5.31
Tier 3	Over 30,000	4%	6.23	6.79	6.38
Commercial	All Use		6.95	7.58	7.77
Municipal	All Use		8.50	9.27	12.65

(1) Inside City. Outside City rates are increased by 2.0 times inside City.

(2) Base rate 1 under existing and 2020 Alt 1 applies to residential, base rate 2 applies to commercial. Base rates 1 and 2 under Alt 2 apply 1-inch and smaller and 1 ½-inch and larger respectively.

**(3) Proposed base rate 1 applies to 1-inch and smaller meter size while base rate 2 applies to 1 ½ and larger.**

# Water Bills Compared (1)

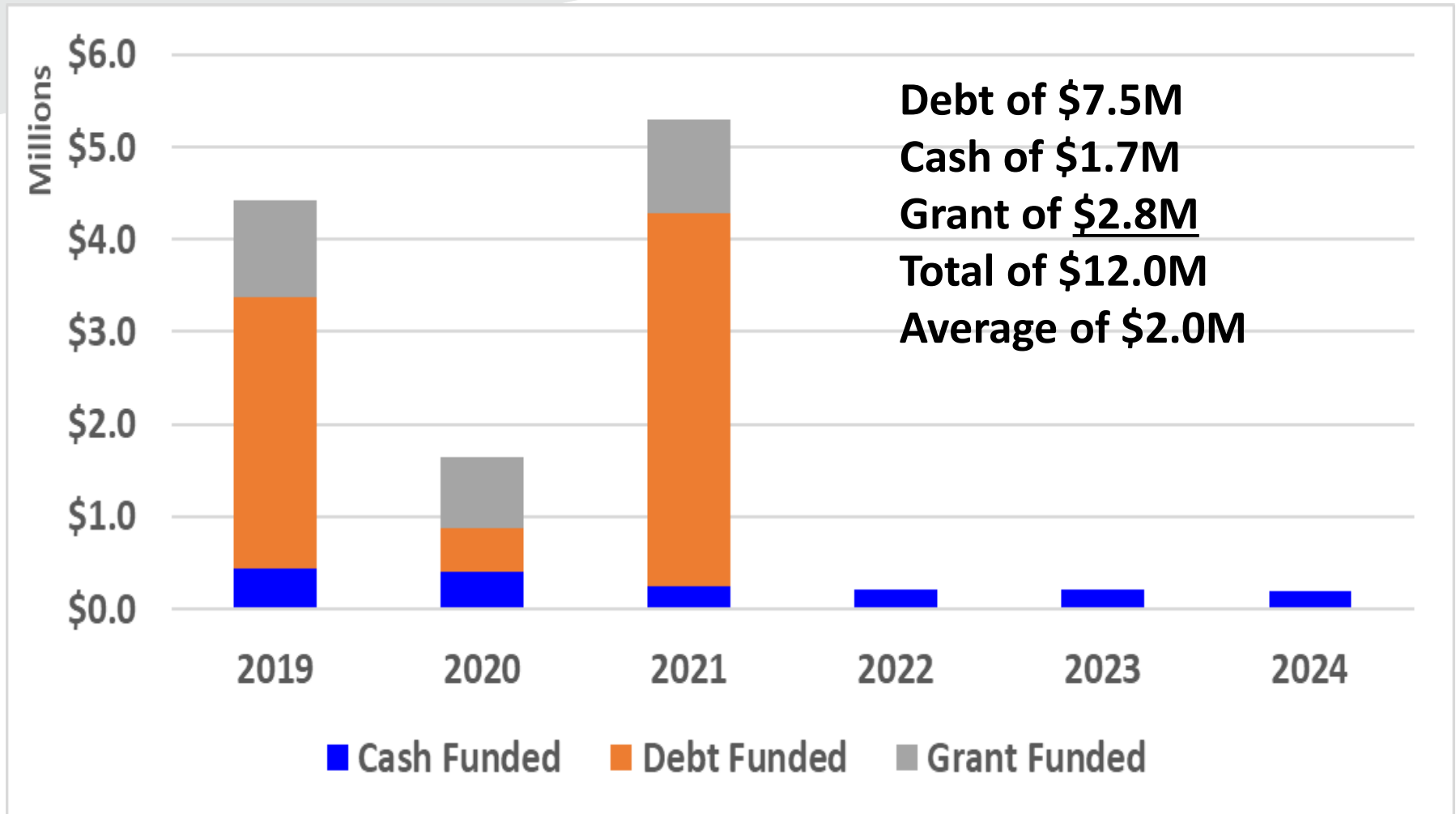


(1) Bi-monthly residential customer bill using 10,000 gallons with a 5/8-inch meter.

# Wastewater Fund Financial Plan, Cost of Service and Rate Design



# Wastewater Fund Capital Projects (Inflated \$) (1)



(1) \$1,000,000 WWTP Project #1 AND #2 construction grant.

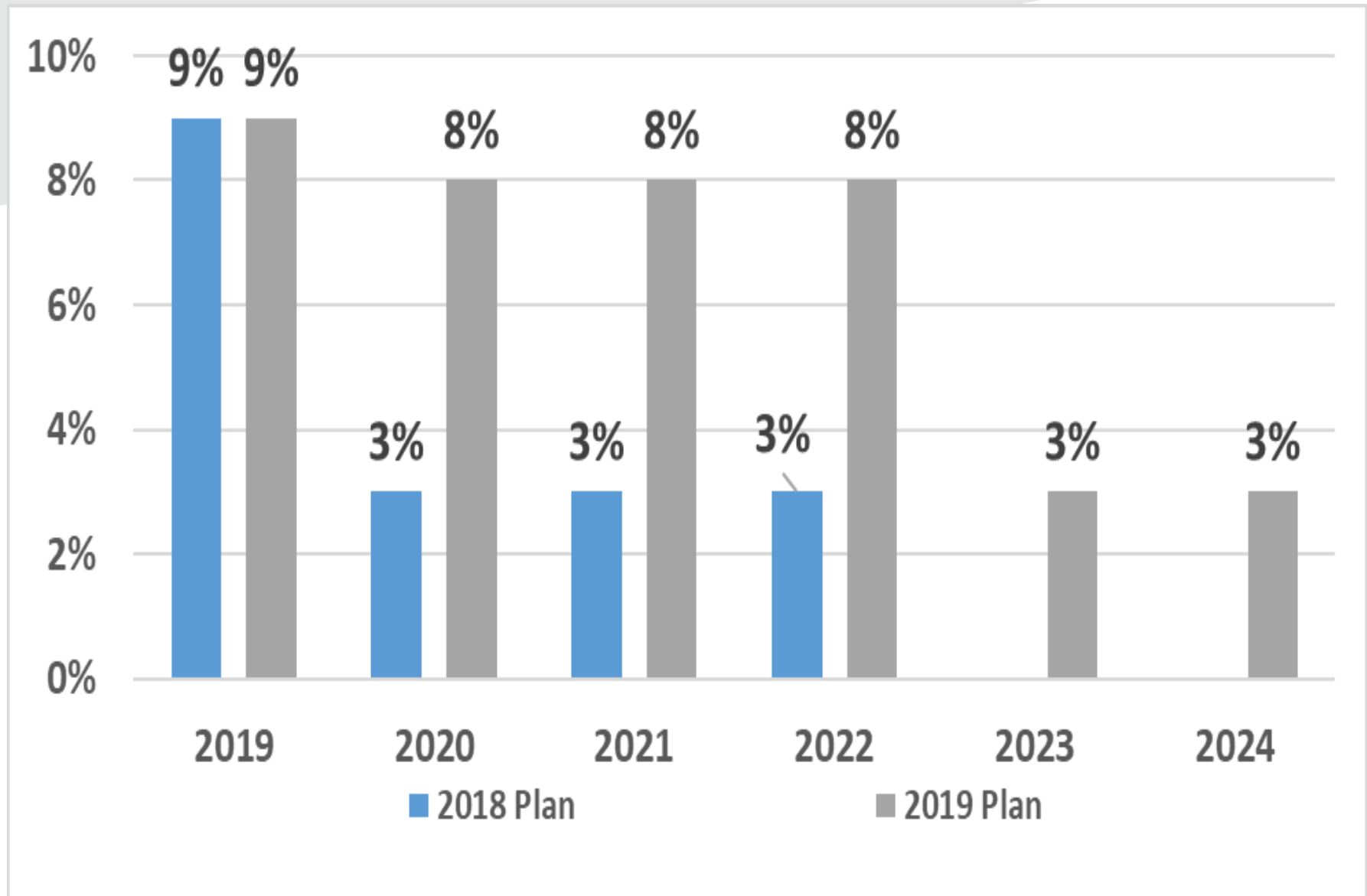


# Wastewater CIP (Inflated) External Debt Funded Projects

- WWTP Expansion #1
  - › Various planning and design grants of \$0.8M
- WWTP Expansion #1– 2019 / 2020
  - › Debt of \$3.0M through loan
  - › Grants of \$1.0M
- WWTP Expansion #2– 2020 / 2021
  - › Debt of \$4.5M
  - › Grants of \$1.0M



# Wastewater Rate Revenue Increases

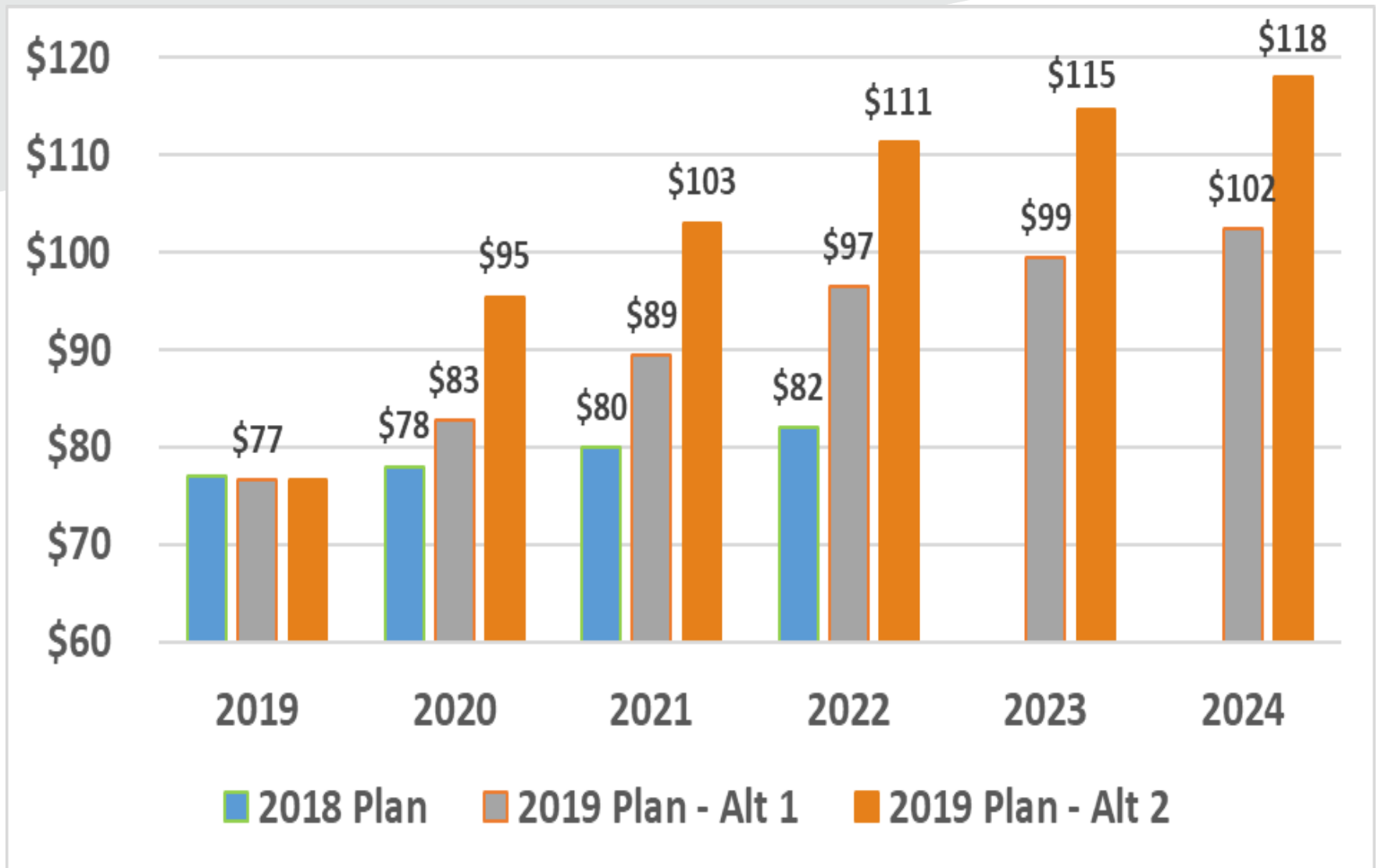


# Wastewater Rate Structure – Existing 2019 and Proposed 2020 (1)

Description	2019	2020 Alt 1 (2)	2020 Alt 2 (2)
Base Rate 1	\$46.50	\$50.22	\$58.25
Base Rate 2	93.00	100.44	116.50
Volume Rate per 1,000 gallons			
Residential (3)	\$5.02	\$5.42	\$6.20
Commercial Low	6.76	7.30	7.25
Commercial Medium	12.00	12.96	12.00
Commercial High	18.00	19.44	18.90
Indian Springs	13.00	14.04	17.15

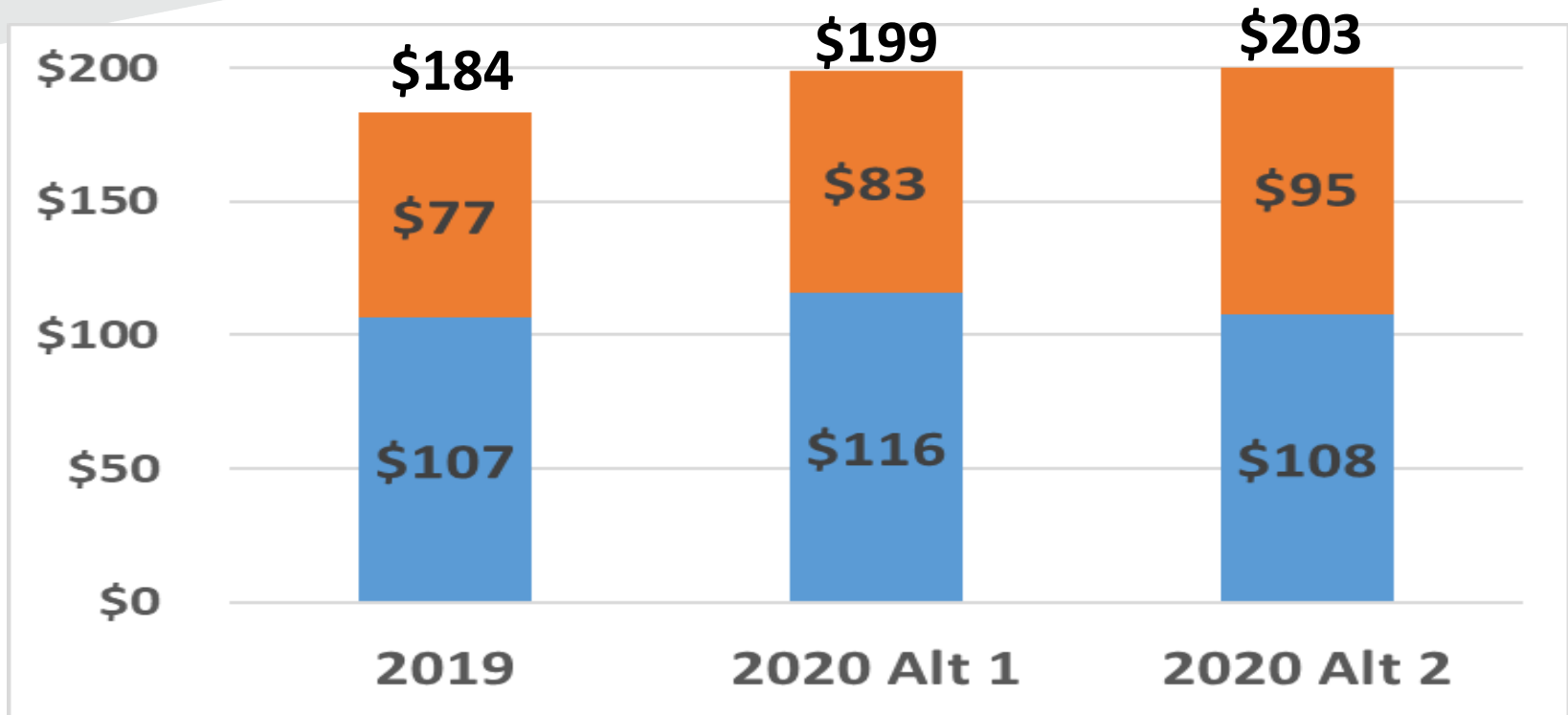
- (1) Inside City and Chicago Creek customers. Outside City 2.0 times inside City.
- (2) **2019 and 2020 Alt. 1 base rate 1 applies to residential and base rate 2 to all other customers. 2020 Alt. 2 base rate 1 applies to 1-inch and smaller customers and base rate 2 applies to 1 1/2-inch and larger.**
- (3) Applied to average winter period bi-monthly water use consumption.

# Wastewater Bills Compared (1)



(1) Bi-monthly residential customer bill using 6,000 gallons with a 5/8-inch meter

# Bi-Monthly Residential Water and Wastewater Bills Compared (1) (2)



(1) Bi-monthly residential customer water bill using 10,000 gallons with a 5/8-inch meter.

(2) Bi-monthly residential customer wastewater bill using 6,000 gallons with a 5/8-inch meter.

# Thank you!

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