WATER AND SEWER SPECIAL MEETING
March 21, 2018 – 6:30 a.m.
2nd Floor Conference Room - 301 Walnut Street
Windsor, CO 80550

The Town of Windsor will make reasonable accommodations for access to Town services, programs, and activities and will make special communication arrangements for persons with disabilities. Please call (970) 674-2400 by noon on the 2nd **day** prior to the meeting to make arrangements.

AGENDA

A. CALL TO ORDER

1. Roll Call
2. Review of Agenda by the Board and Addition of Items of New Business to the Agenda for Consideration by the Board
3. Public Invited to be Heard

B. CONSENT CALENDAR

None

C. BOARD ACTION

1. Water Rate Study

D. COMMUNICATIONS

1. Staff
2. Board

E. ADJOURN

MEMORANDUM

Date: March 21, 2018
To: Water and Sewer Board Members
From: Dean Moyer, Director of Finance
Re: Water Rate Study
Item #:

Background / Discussion

We have spent the past year studying our water rates and impact fees related to how we can pay for our portion of the NISP. Additionally, we have been discussing the construction of a regional water treatment plant. Currently our portion of the cost of NISP construction and conveyance stand at $90.9M. The estimated cost of the treatment plant is at $25M. We have contracted with Stantec consulting to assist with funding scenarios. Ron Lay of Stantec will be at your meeting to present the enclosed materials. I want to thank our team in advance for the tremendous amount of work to get us to this point.

The question at hand is which party should bear the cost of this project. We have developed a number of scenarios that we will cover today. We tried to find a balance between existing customers and new construction to bear the cost. We also tried to keep the level of debt to a minimum. We plan to have a similar meeting with the Town Board on April 2. I would like to leave this meeting today with a recommendation from you as to how you feel we should proceed.

Financial Impact

If we do all the proposed work the impact would be $141.7M over ten years.

Relationship to Strategic Plan

Provide an adequate water supply.

Recommendation

We have studied financing NISP as a group through Northern Water. This is our first look at what this means to us internally. I recommend that we follow scenario #1 but that we do not implement this until we know that NISP is a go. We should know this coming summer if the project has been approved.

Attachments

Power point presentation

Stantec

Town of Windsor, CO

Water Rate Study

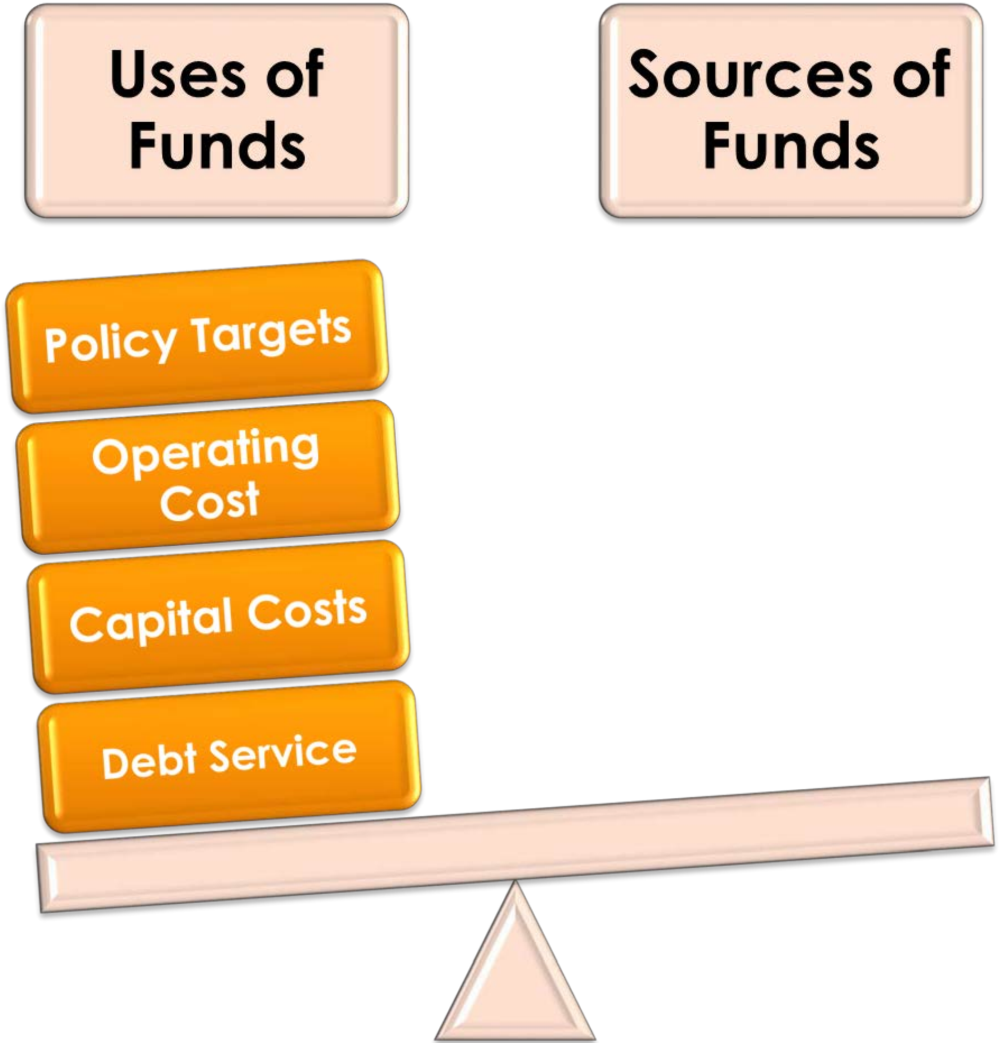
Agenda

1. Overview
2. Water Fund Scenarios

Utility Overview

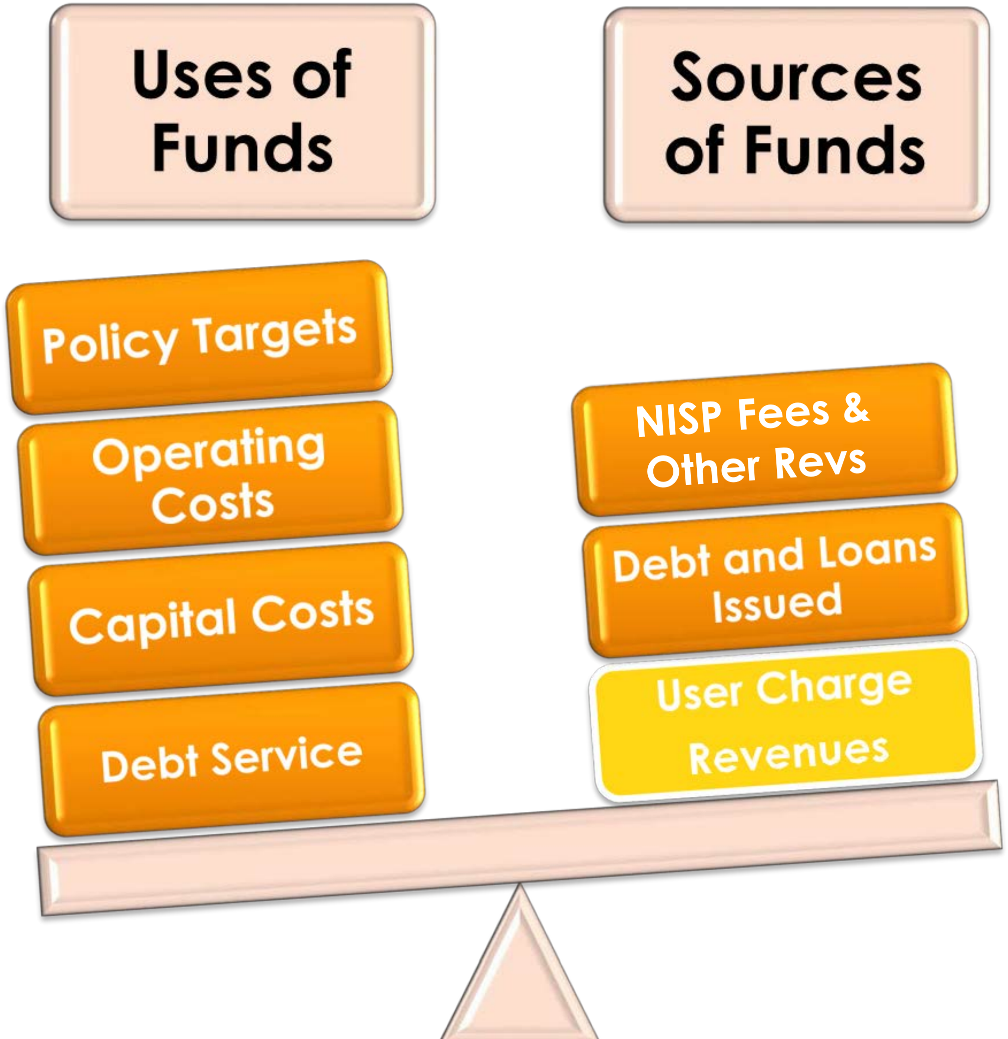
Overview

Utilities financial plans balance sources and uses of cash



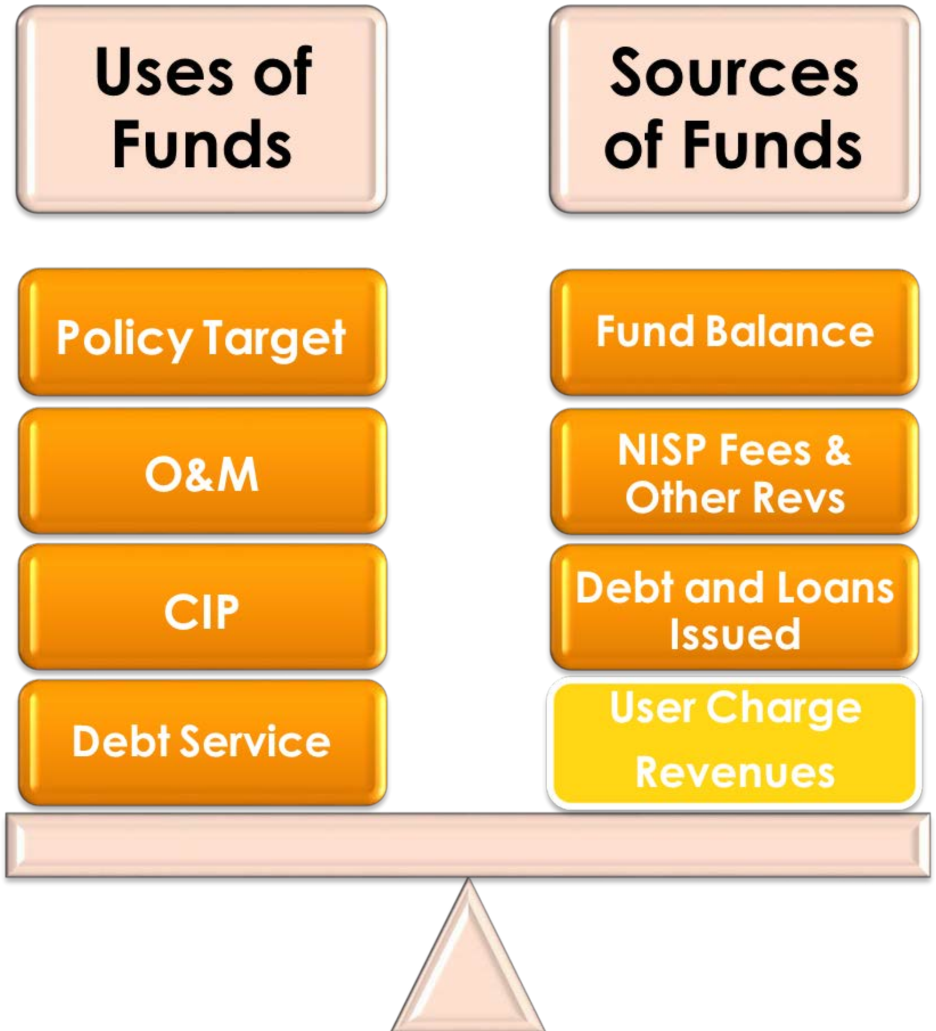
Overview

Primary purpose is to determine the level of user charges needed



Overview

When we balance the plan we can show future costs, rates, and impacts from policies



Utilities' Assumptions

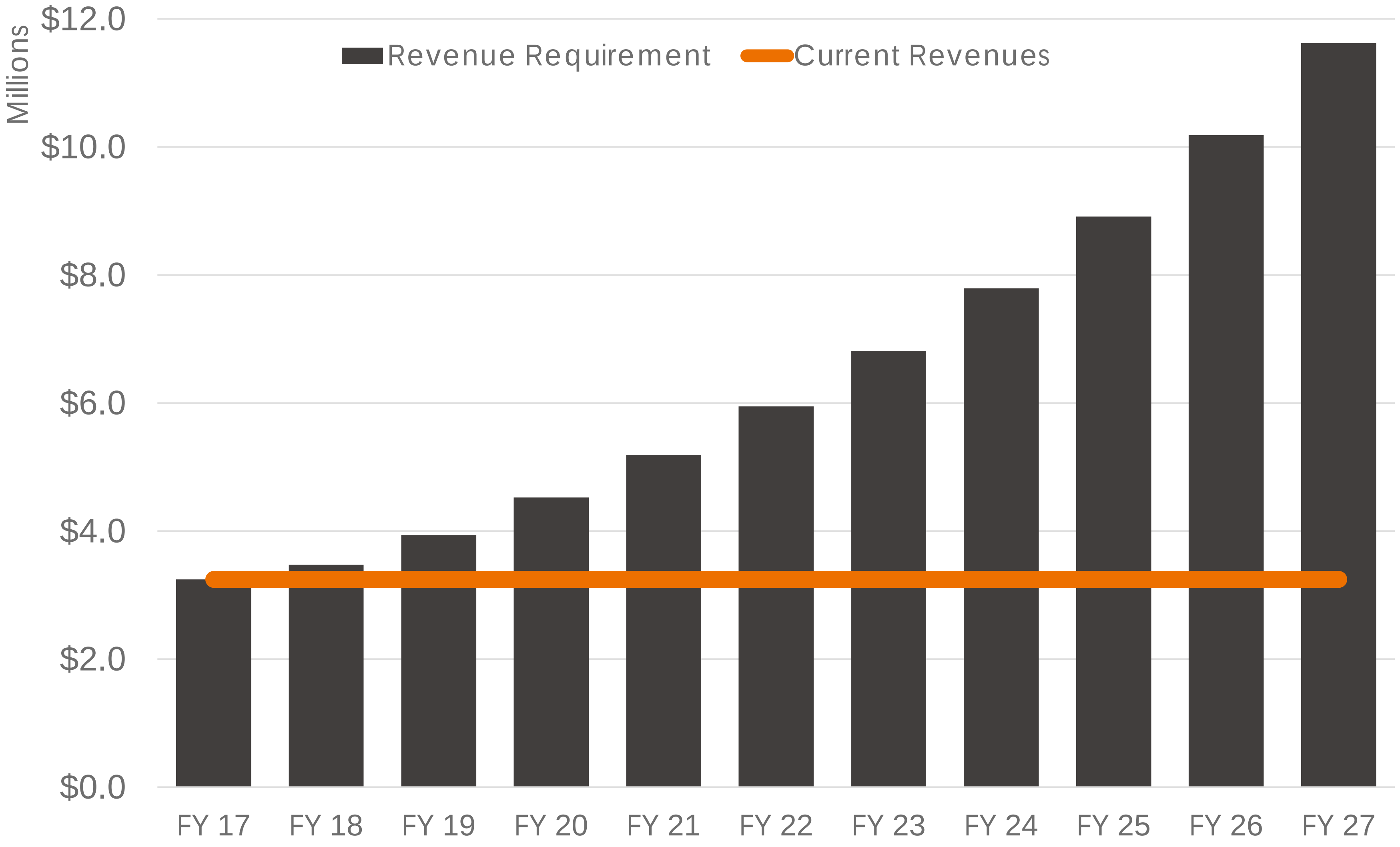
- Capital Expenses
  - $90.9M Northern Integrated Supply Project (NISP) expense occurring 2018-2027
  - Average of $2.3M non-NISP CIP annually
  - $25M Water Treatment Plant planned for 2027
- Water cost procured through NWCWD, FCLWD, and Greeley is escalated at 3.0%, 2.3% and 4.0% respectively.
- Expenses escalate at 3%, unless otherwise noted
- Growth estimates consistent with economic development reports (both platted and non-platted)
  - 100% Growth = 261 lots through FY 2019 and 441 lots through FY 2027
  - 75% Growth = 196 lots through FY 2019 and 331 lots through FY 2027
  - 50% Growth = 131 lots through FY 2019 and 220 lots through FY 2027

Overview

Utilities' Financial Goals

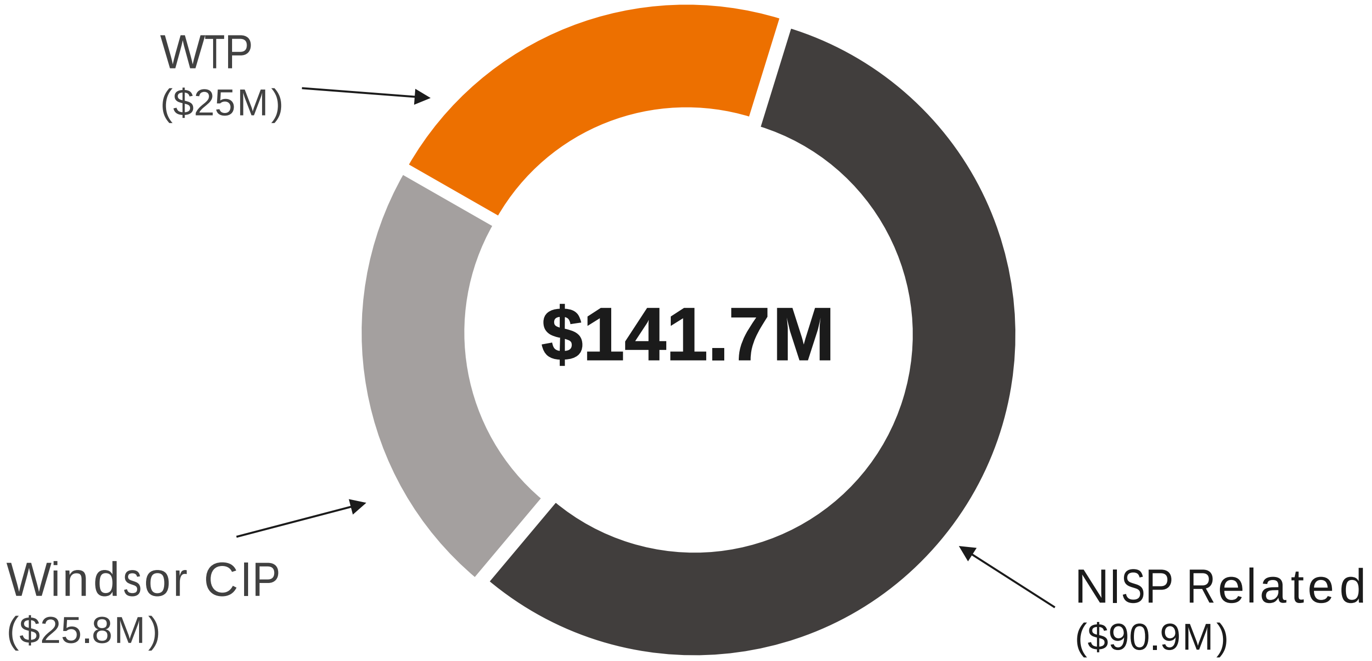
- Maintain combined debt service coverage at target level
- Maintain adequate reserve requirements
  - Water – 90 days cash on hand to maintain bond ratings
- Balance rate impacts (both user rates and development fees)
- Adequately fund future treatment and water resource needs including NISP

Revenue Requirements



Capital Improvement Projects
Breakdown

Total Project Needs 2017-2027



Major Projects Include…

Windsor CIP
Water Lines ($6M)
System Improvements ($19.7M)

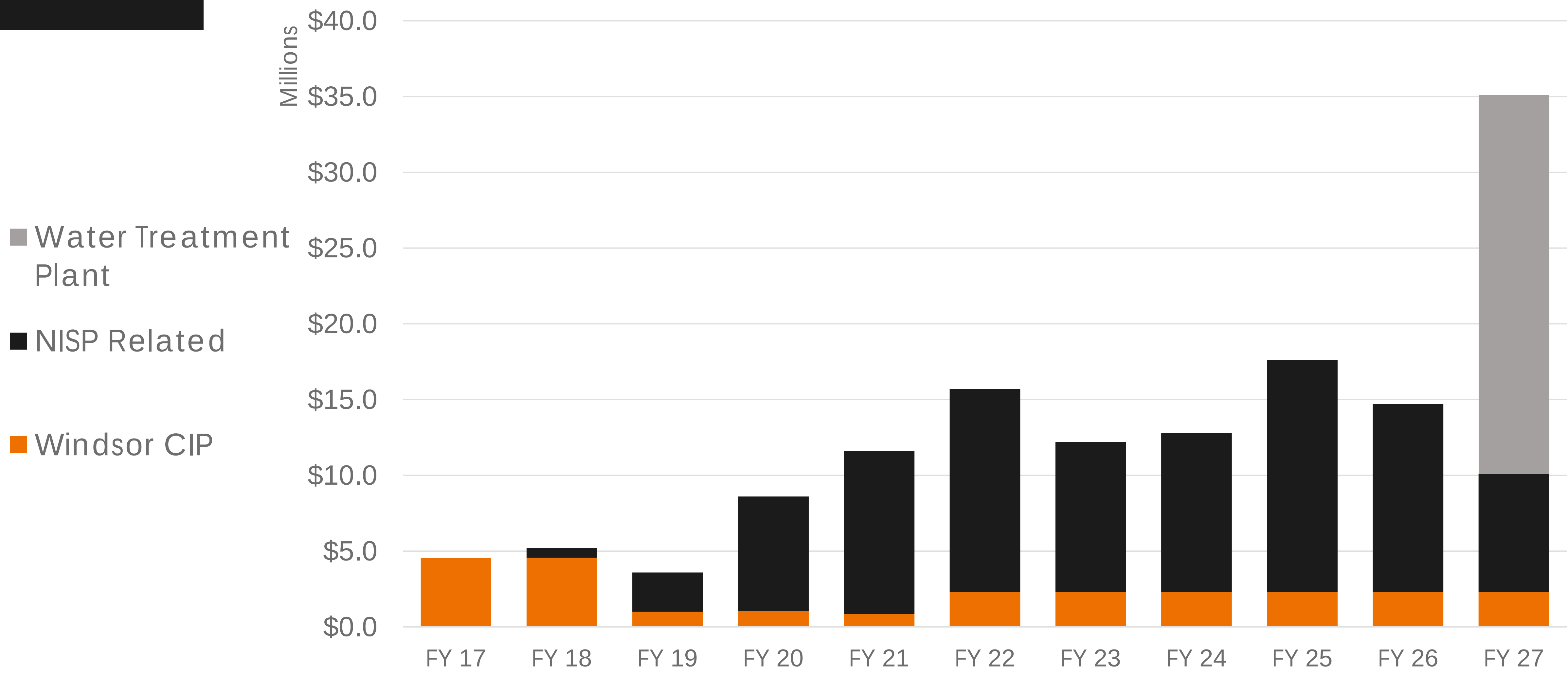
NISP Related Costs
8.25% of total NISP project costs ($87.2M)
Conveyance Cost ($3.7M)

Water Treatment
Water Treatment Plant (WTP) ($25M)

Overview

Capital Improvement Projects

By Function



Scenarios

Scenarios

Water Financial Plan

Water Scenario Summary

Scenario	Growth	Annual Rate Increase[1]	Additional NISP Fee
1	100%[2]	5.00%	$16,400
2a	75%	5.00%	$46,000
2b	50%	5.00%	$86,000
3a	75%	15.00%[3]	$16,400
3b	50%	23.25%[3]	$16,400
4	100%[2]	31.20%[4]	$0

1 5% rate increase in all scenarios for FY 2018.
2 Only scenarios with 100% growth include the $25M WTP in FY2027
3 These scenarios incur an increase from FY19-24, 0% increases thereafter
4 Represents annual average rate increase from FY19-23

Scenarios

Water Financial Plan

Scenario 1

Scenario 1	FY '17	FY '18	FY '19	FY '20	FY '21	FY '22	FY '23	FY '24	FY '25	FY '26	FY '27	Cumulative
Rate Increase	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	62.62%
Debt Issuance ($M)	-	-	-	-	-	-	5.324	-	13.147	-	0.770	19.241
DSC Coverage	2.79	2.26	2.78	3.54	4.33	5.07	3.53	3.66	1.91	1.90	2.0	
Operations Fund Balance ($M)	5.855	4.057	3.491	3.171	3.388	3.378	3.349	3.590	2.974	2.485	1.530	

Assumptions:

- Growth at 100%
- WTP in FY '27 for $25M
- Additional NISP Fee: $16,400

Scenarios

Water Financial Plan

Scenario 2a

Scenario 2a	FY '17	FY '18	FY '19	FY '20	FY '21	FY '22	FY '23	FY '24	FY '25	FY '26	FY '27	Cumulative
Rate Increase	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	62.62%
Debt Issuance ($M)	-	-	-	7.387	10.635	1.219	-	-	-	-	-	19.241
DSC Coverage	2.82	2.34	2.94	2.07	1.52	1.65	1.83	2.06	1.99	2.17	2.43	
Operations Fund Balance ($M)	5.865	4.104	3.608	3.056	2.584	1.905	1.519	1.492	1.273	1.325	1.781	

Assumptions:

- Growth at 75%
- Additional NISP Fee: $46,000

Scenarios

Water Financial Plan

Scenario 2b

Scenario 2b	FY '17	FY '18	FY '19	FY '20	FY '21	FY '22	FY '23	FY '24	FY '25	FY '26	FY '27	Cumulative
Rate Increase	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	62.62%
Debt Issuance ($M)	-	-	-	7.387	10.635	1.219	-	-	-	-	-	19.241
DSC Coverage	2.82	2.34	2.94	2.07	1.52	1.65	1.83	2.06	1.99	2.17	2.4	
Operations Fund Balance ($M)	5.870	4.115	3.625	3.073	2.611	1.960	1.589	1.558	1.307	1.288	1.623	

Assumptions:

- Growth at 50%
- Additional NISP Fee: $86,000

Scenarios

Water Financial Plan

Scenario 3a

Scenario 3a	FY '17	FY '18	FY '19	FY '20	FY '21	FY '22	FY '23	FY '24	FY '25	FY '26	FY '27	Cumulative
Rate Increase	0.0%	5.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	0.0%	0.0%	0.0%	142.62%
Debt Issuance ($M)	-	-	-	-	10.635	-	8.606	-	-	-	-	19.241
DSC Coverage	2.79	2.19	3.41	5.05	3.13	3.59	3.34	3.94	3.72	3.74	3.8	
Operations Fund Balance ($M)	5.851	4.024	3.744	4.105	5.019	6.304	8.323	11.703	6.197	1.901	2.205	

Assumptions:

- Growth at 75%
- Additional NISP Fee: $16,400

Scenarios

Water Financial Plan

Scenario 3b

Scenario 3b	FY '17	FY '18	FY '19	FY '20	FY '21	FY '22	FY '23	FY '24	FY '25	FY '26	FY '27	Cumulative
Rate Increase	0.0%	5.0%	23.25%	23.25%	23.25%	23.25%	23.25%	23.25%	0.0%	0.0%	0.0%	267.79%
Debt Issuance ($M)	-	-	-	7.387	11.854	-	-	-	-	-	-	19.241
DSC Coverage	2.78	2.13	2.05	2.93	2.68	3.39	4.6	6.18	5.99	6.04	6.1	
Operations Fund Balance ($M)	5.847	3.989	3.516	3.936	5.377	7.877	7.847	8.532	4.003	2.008	4.671	

Assumptions:

- Growth at 50%
- Additional NISP Fee: $16,400

Scenarios

Water Financial Plan

Scenario 4

Scenario 4	FY '17	FY '18	FY '19	FY '20	FY '21	FY '22	FY '23	FY '24	FY '25	FY '26	FY '27	Cumulative
Rate Increase	0.0%	5.0%	35.0%	35.0%	35.0%	30.0%	21.0%	0.0%	0.0%	0.0%	0.0%	306.16%
Debt Issuance ($M)	-	-	-	7.387	11.854	-	-	-	-	-	-	19.241
DSC Coverage	2.77	2.15	5	5	4.46	5.99	7.96	8.35	8.42	9.01	9.3	
Operations Fund Balance ($M)	5.844	3.338	1.187	3.136	7.474	2.784	3.871	5.031	1.440	1.369	5.622	

Assumptions:

- Growth at 100%
- Additional NISP Fee: $0

Scenarios

Water Financial Plan

Water Scenario Summary

Scenario	Growth	Annual Rate Increase[1]	Additional NISP Fee	Cumulative Increase (2018 – 2027)
1	100%[2]	5.00%	$16,400	62.6%
2a	75%	5.00%	$46,000	62.6%
2b	50%	5.00%	$86,000	62.6%
3a	75%	15.00%[3]	$16,400	142.6%
3b	50%	23.25%[3]	$16,400	267.8%
4	100%[2]	31.20%[4]	$0	306.2%

1 5% rate increase in all scenarios for FY 2018.
2 Only scenarios with 100% growth include the $25M WTP in FY2027
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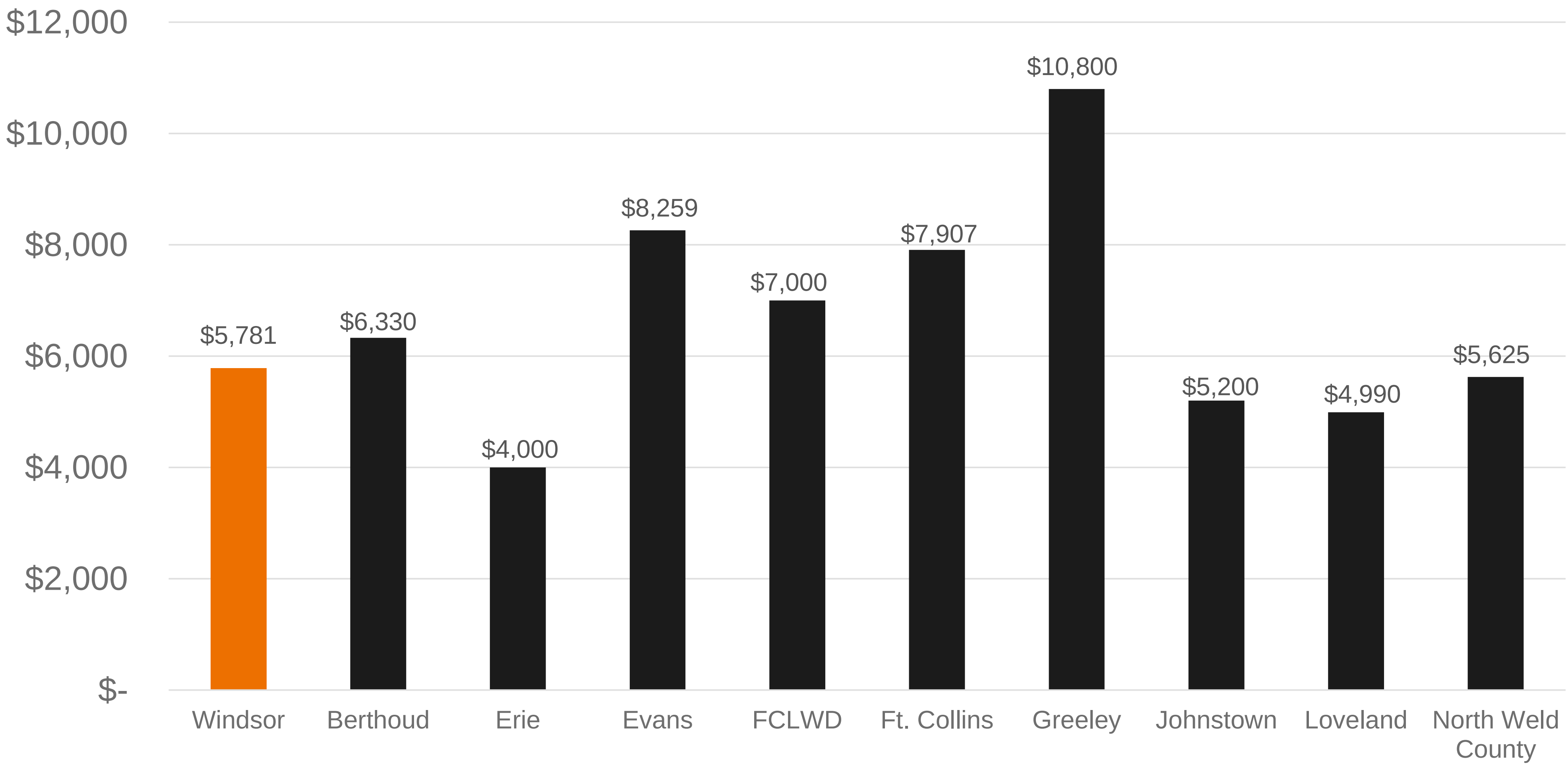
4 Represents annual average rate increase from FY19-23

Benchmarking

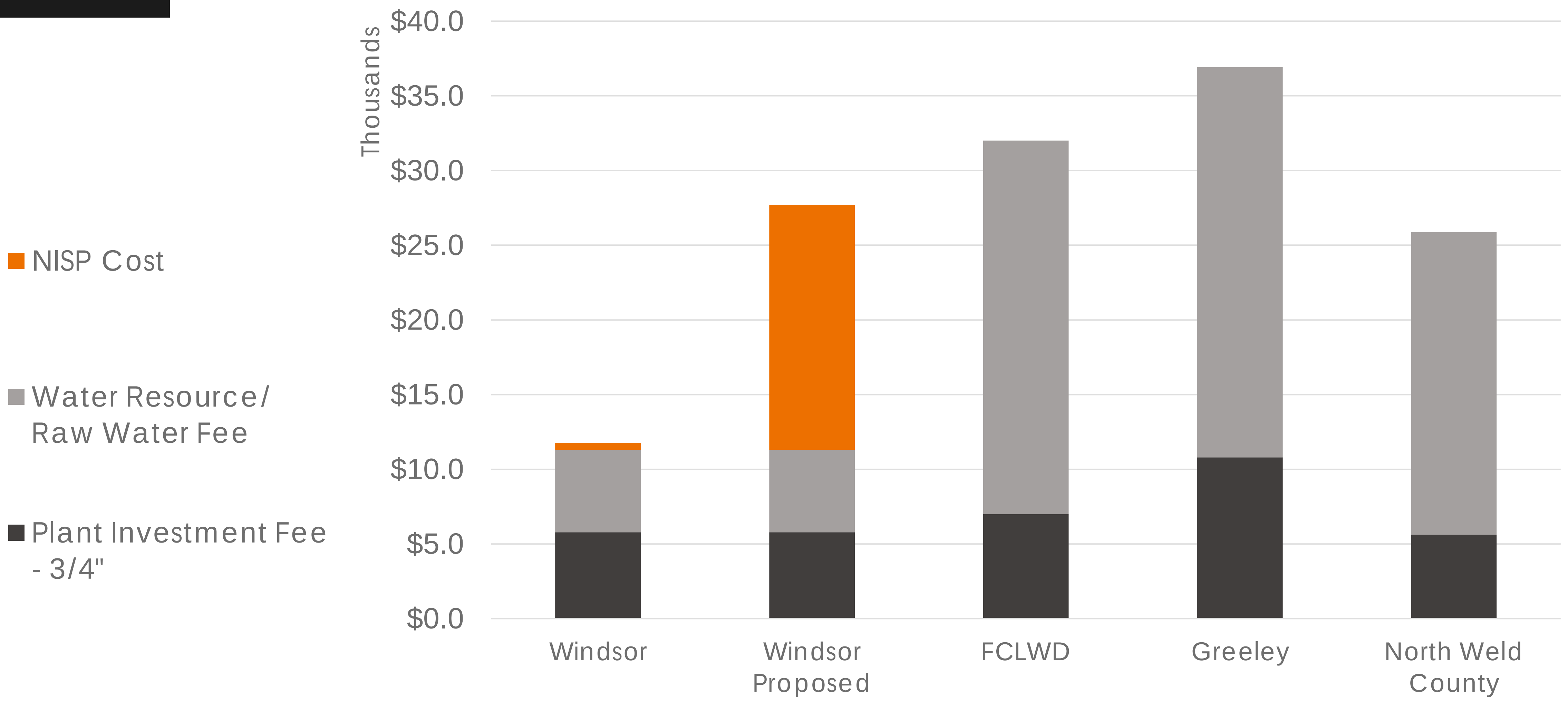
Water Plant Investment Fee

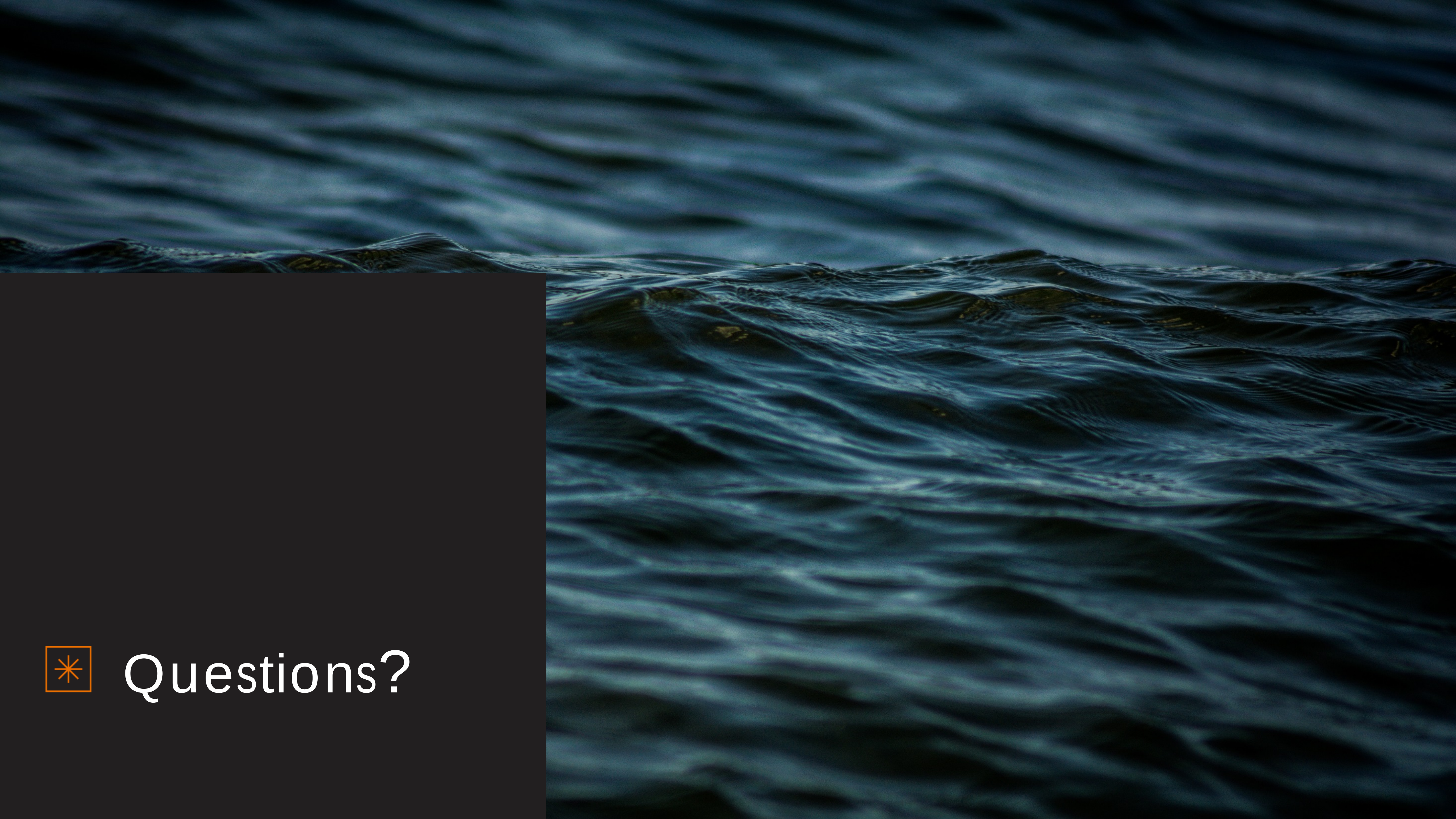
Single-Family Residential – ¾” Meter



Benchmarking

‘All-In’ Rates including Windsor and Current Water Providers




Questions?