



STORM UTILITY FINANCIAL PLAN DISCUSSION

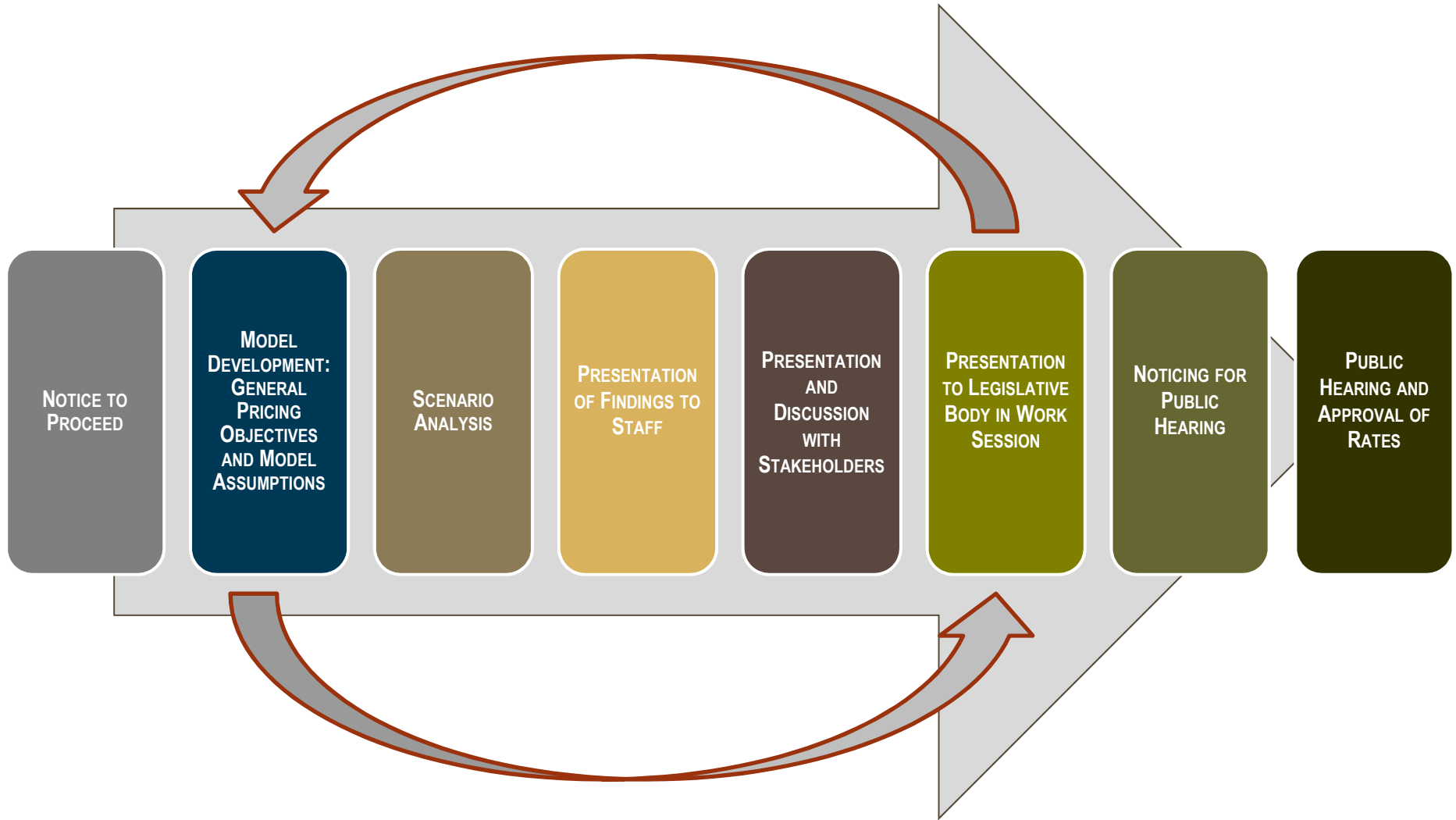
AUGUST 2020



UTILITY RATE STUDY AGENDA

- ▣ **Review Process**
- ▣ **General Pricing Objectives and Modeling Assumptions**
- ▣ **Scenario Analysis (Reserves, Funding Scenarios, Upfront or Gradual Increases, etc.)**
- ▣ **Next Steps**

PROCESS



OBJECTIVES AND MODEL ASSUMPTIONS

❑ DETERMINE SERVICES TO INCLUDE IN UTILITY

Cost Associated with the Collection and Management of the Citywide Storm Drain System

- ❑ Personnel
- ❑ Street Sweeping
- ❑ Storm Drain Cleaning
- ❑ Maintenance
- ❑ Repairs
- ❑ Upgrades
- ❑ Capital Improvements

OBJECTIVES AND MODEL ASSUMPTIONS

❑ PRICING OBJECTIVES

Establish an Equitable, Sustainable and Transparent way to Maintain Existing Facilities

- ▣ **Revenue Sufficiency and Maintenance of City Policies**
- ▣ **Establish Days of Working Capital Target**
- ▣ **Simple and Equitable Rates Structures**
- ▣ **Ease of Implementation**
- ▣ **Affordability**

OBJECTIVES AND MODEL ASSUMPTIONS

□ GENERAL UTILITY ASSUMPTIONS

- ▣ Define Demand
 - ▣ Impervious Area
 - ▣ ERUs/EDUs
 - ▣ Single Family, Multifamily, Non-Residential, Other Government Entities

- ▣ Define Service Areas

- ▣ Evaluate Demand Growth

- ▣ Evaluate O&M Increases

- ▣ Funding Depreciation

OBJECTIVES AND MODEL ASSUMPTIONS

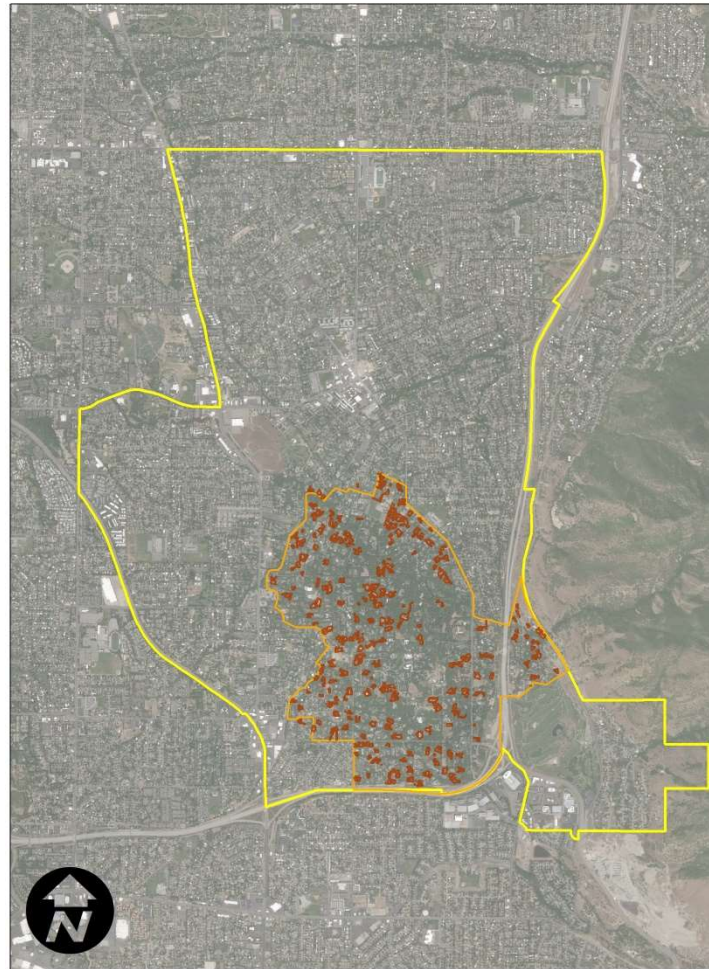
□ GENERAL UTILITY ASSUMPTIONS

▣ Determination of Demand (2019)

Approximate Data	Residential Area A	Residential Area B	Commercial
Total Parcels	6,426	1,120	2,768
Total Acres	1,728	1,107	1,197.00
Total Sq. Ft.	18,153,601	4,523,019	8,835,200
Parcels Surveyed	347	223	2,477
Max Imp. Area	18,374	55,477	482,433
Sum Imp. Area	1,799,491	2,924,882	20,523,354
Mean Imp. Area	5,186	13,116	31,190

	Residential Area A	Residential Area B	Commercial & Industrial	Irrigation	Public Street & Highway Lighting	Total
Rck Mtn Power Accounts	10,855.00	805.00	879.00	6.00	41.00	12,586
ERU Multiplier	1.00	2.53				
ERU Estimates	10,855	2,036	3,958	6.00	41.00	16,895

OBJECTIVES AND MODEL ASSUMPTIONS



HOLLADAY SURVEY: CATEGORY B LOTS

- CATEGORY B LOTS
- CATEGORY B LOT BOUNDARY
- HOLLADAY BOUNDARY

0 0.25 0.5 1 Miles

OBJECTIVES AND MODEL ASSUMPTIONS

□ GENERAL UTILITY ASSUMPTIONS

▣ Determination of Demand

ERU Growth	0.10%	0.10%	0.30%	0.30%	0.30%	0.30%	0.30%
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Fiscal Year	2019	2020	2021	2022	2023	2024	2025	2026
ERU Estimates	16,896	16,913	16,930	16,981	17,032	17,083	17,134	17,185
ERU Change		17	17	51	51	51	51	51

OBJECTIVES AND MODEL ASSUMPTIONS

□ GENERAL UTILITY ASSUMPTIONS

▣ Estimation of O&M Expenditures

Operating Expense	2022	2023	2024	2025	2026
Stormwater Personnel & Contract Cost	(160,000)	(164,800)	(169,744)	(174,836)	(180,081)
Overtime Estimate	(5,000)	(5,150)	(5,305)	(5,464)	(5,628)
Street Sweeping	(79,568)	(81,955)	(84,413)	(86,946)	(89,554)
Storm Drain Maintenance	(159,135)	(163,909)	(168,826)	(173,891)	(179,108)
Administrative Transfer	(26,523)	(27,318)	(28,138)	(28,982)	(29,851)
Rocky Mtn. Power Admin Fee	(53,045)	(54,636)	(56,275)	(57,964)	(59,703)
Miscellaneous	-	-	-	-	-
Total Operating Expense	(\$483,270)	(\$497,768)	(\$512,701)	(\$528,082)	(\$543,925)

OBJECTIVES AND MODEL ASSUMPTIONS

□ GENERAL UTILITY ASSUMPTIONS

▣ Estimation of Non-Operating Revenues

Operating Expense	2022	2023	2024	2025	2026
Impact Fees	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000

OBJECTIVES AND MODEL ASSUMPTIONS

❑ GENERAL UTILITY CAPITAL IMPROVEMENT PLAN (CIP) ASSUMPTIONS

- ❑ **The CIP illustrates major capital needs within the next five years**
- ❑ **Model Accounts for Construction Inflation of 3%**

Fiscal Year	2022	2023	2024	2025	2026
Total CIP Expense	(\$763,848)	(\$1,753,827)	(\$1,947,130)	(\$1,536,038)	(\$3,014,982)

SCENARIO ANALYSIS

□ APPROACH:

- **Do Nothing: General Fund Evaluation Determined This Was Not Sustainable**
- **Establish Enterprise Fund with Dedicated Rate**
 - Scenario 1: Pay-As-You-Go with Upfront Rate to Meet Objectives
 - Scenario 2: Pay-As-You-Go with 3% Rate Increases Over Time
 - Scenario 3: Bonding Scenario with Upfront Rate Increases Over Time
 - Scenario 4: Bonding Scenario with 9.5% Rate Increases Over Time

□ PRIMARY FINANCIAL OBJECTIVES:

- **Unrestricted Fund Balance of 150 Days of O&M Expense**
- **Debt Coverage of 1.5x**

SCENARIO ANALYSIS

- ❑ **SCENARIO 1: UPFRONT RATE INCREASE, NO BONDING**
 - ❑ Requires Initial Rate of Approximately \$11.30
 - ❑ No Increase in 5-Year Planning Horizon

- ❑ **SCENARIO 2: GRADUAL RATE INCREASE, NO BONDING**
 - ❑ Requires Initial Rate of Approximately \$10.65
 - ❑ 3% Rate Increase Each Year in 5-Year Planning Horizon
 - ❑ Rate Escalates to \$12 by 2026

- ❑ **SCENARIO 3: UPFRONT RATE INCREASE, WITH BONDING**
 - ❑ Requires Initial Rate of Approximately \$10
 - ❑ No Increase in 5-Year Planning Horizon
 - ❑ Bonding of \$1.5M in 2026

- ❑ **SCENARIO 4: GRADUAL RATE INCREASE, WITH BONDING**
 - ❑ Requires Initial Rate of Approximately \$6.50
 - ❑ 9.5% Rate Increase Each Year in 5-Year Planning Horizon
 - ❑ Rate Escalates to \$9.40 by 2026
 - ❑ Bonding of \$5M in 2023 and Additional Bonding in 2026

ALTERNATIVE SOLUTIONS

❑ FINDINGS

- ❑ NEED TO DETERMINE FINAL ERU METHODOLOGY

- ❑ DETERMINE APPROACH TO REVENUE GENERATION
 - ❑ UPFRONT INCREASE WILL MITIGATE FUTURE BONDING EXPENSE

- ❑ SUBSTANTIAL CIP NEEDS ARE STRAINING THE MODEL BEYOND THE 5-YEAR PLANNING HORIZON

CHALLENGES

- ❑ ESTABLISHING EQUITY AMONGST USERS
 - ❑ Credits for Onsite Improvements

- ❑ NEW UTILITY SYSTEM – LIMITED EXISTING DATA

- ❑ DEFINING SERVICE AREAS

FEE COMPARISONS

MONTHLY RATE PER UNIT

