

Town of Wellington

UTILITY RATES

Overview

Purpose: Education on the Water Rate Increase and Community Feedback

Structure:

- Presentation by Tyler Sexton, Assistant Finance Director
- Polling questions for community feedback intermittently
- Question bank at the end
 - Submit your questions after hearing the full presentation
 - We will provide answers to these questions at the end of the presentation.
 - The answers will be posted on our “Utility Rate Update” page found on the Town of Wellington Website

Background

- The Town contracted with Woodard & Curran to evaluate water, wastewater, and stormwater rates
- The goal was to:
 - Develop realistic projections of the full costs associated with operating the utility
 - Review multiple years of utility bills to establish a trend in usage
 - Calculate monthly fixed and volumetric charges necessary to provide for the utility's long-term financial sustainability
- Major factors for the increase in rates:
 - Utility rates have remained the same since 2016
 - Increased water costs
 - New capital projects/loan

Historical Base Rates

Per 2006 Ordinance – Town has not raised water rates since 1992

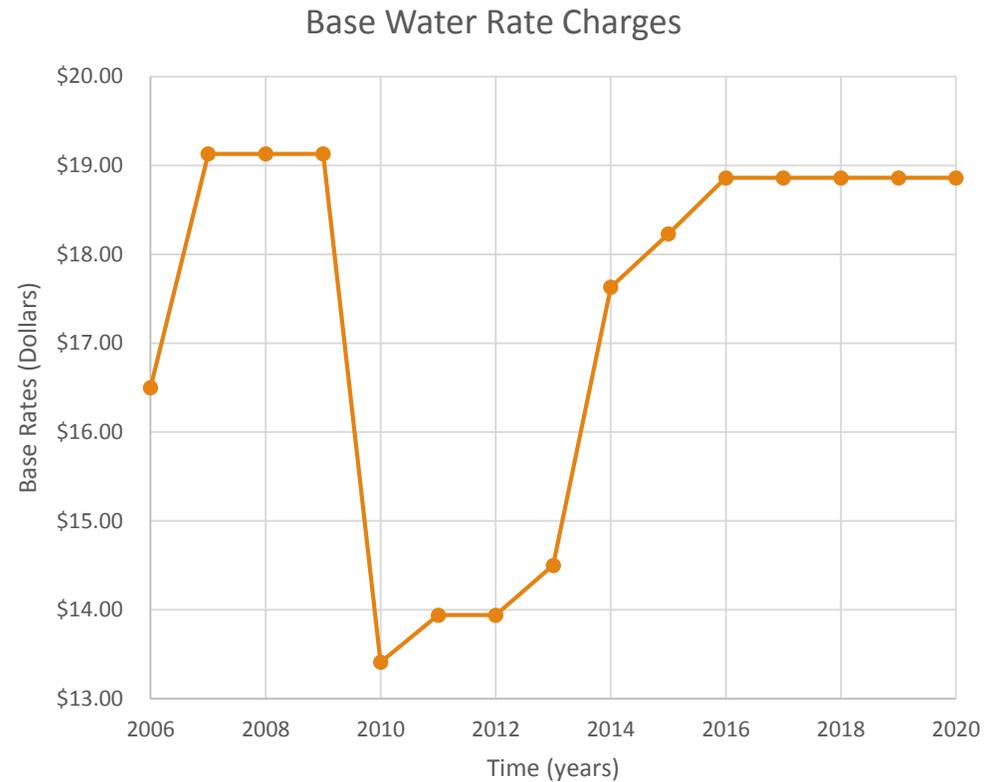
- Increased in 2006 from \$16.50 to \$19.13

Per 2010 Ordinance – Town's base rates have been the same since 2006

- Decrease in 2010 from \$19.13 to \$13.41

Rate Changes from 2010 to present

- 2010 - \$13.41
- 2011 - \$13.94
- 2012 - \$13.94
- 2013 - \$14.50
- 2014 - \$17.63
- 2015 - \$18.23
- 2016 to present - \$18.86



Historical Tier Rates

Per 2006 Ordinance – Town has not raised water rates since 1992

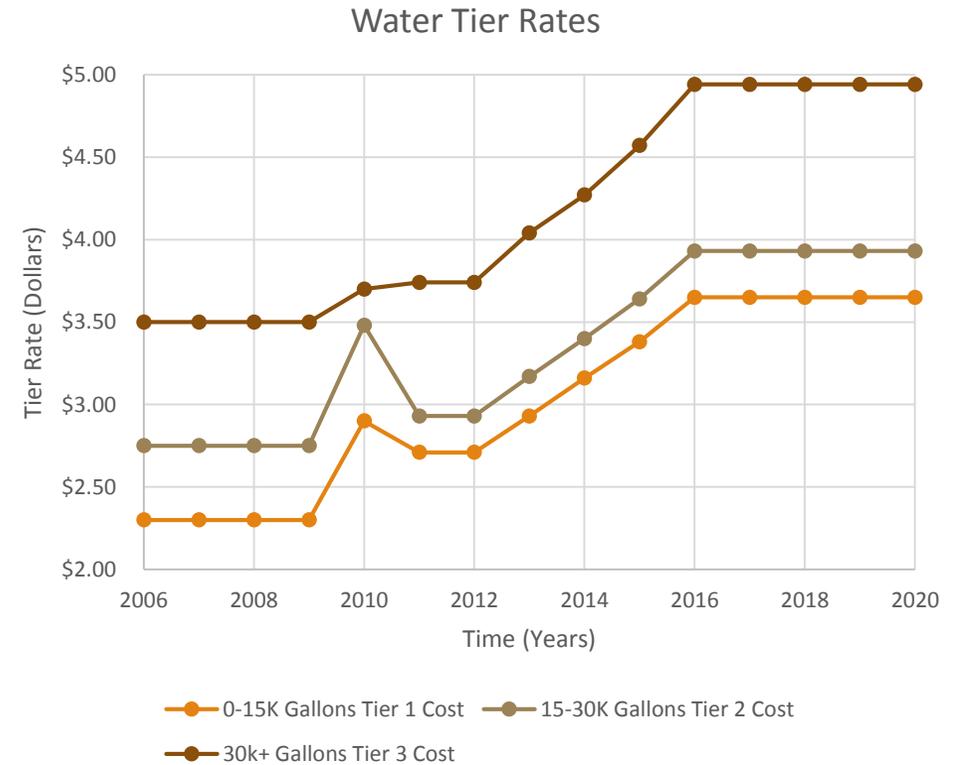
- Maintained tier 1 rate of \$2.30
- Decreased tier 2 rate of \$3.30 to \$2.75
- Decreased tier 3 rate of \$4.30 to \$3.50

Per 2010 Ordinance – Town’s base rates have been the same since 2006

- Increased tier 1 rate from \$2.30 to \$2.90
- Increased tier 2 rate from \$2.75 to \$3.48
- Increased tier 3 rate from \$3.50 to \$3.70

Rate Changes from 2010 to present

	Tier 1	Tier 2	Tier 3
◦ 2010	\$2.90	\$3.48	\$3.70
◦ 2011	\$2.71	\$2.93	\$3.74
◦ 2012	\$2.71	\$2.93	\$3.74
◦ 2013	\$2.93	\$3.17	\$4.04
◦ 2014	\$3.16	\$3.38	\$4.27
◦ 2015	\$3.38	\$3.64	\$4.57
◦ 2016 to present	\$3.65	\$3.93	\$4.94



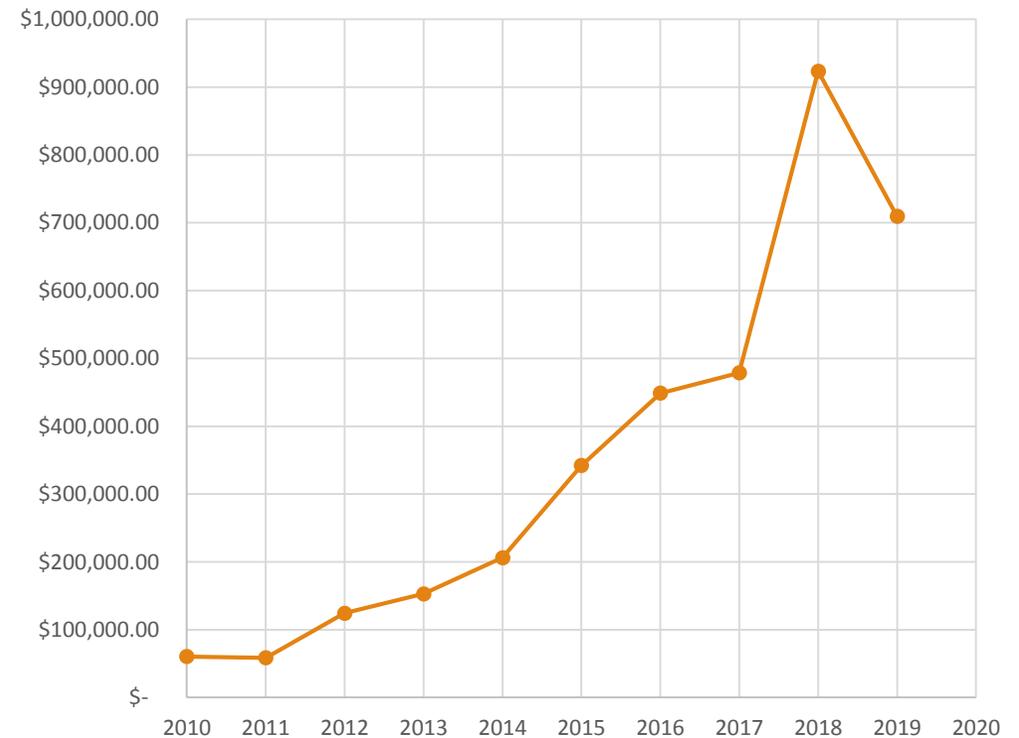
Water Cost

Since 2011 water costs have increased exponentially

	Cost	% increase
○ 2011	\$58,472	
○ 2012	\$124,398	113%
○ 2013	\$152,842	23%
○ 2014	\$206,093	35%
○ 2015	\$341,995	66%
○ 2016	\$448,762	31%
○ 2017	\$478,762	7%
○ 2018	\$923,556	93%
○ 2019	\$709,318	(23%)

- Estimated 2020 cost based on current trends \$1,597,013 to \$2,344,274

Purchased Water Cost

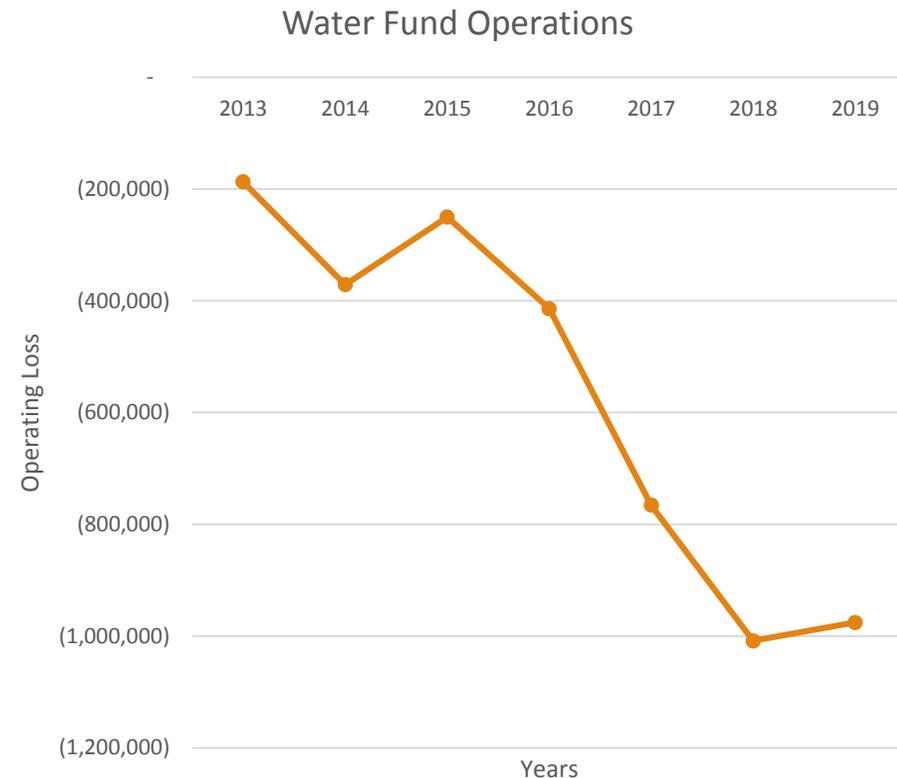


Water Fund Operations

Since 2013 the Water Fund has repeatedly operated at a loss

- 2013 (\$186,946)
- 2014 (\$370,825)
- 2015 (\$250,071)
- 2016 (\$413,884)
- 2017 (\$765,847)
- 2018 (\$1,008,582)
- 2019 (\$975,767)
- Estimated 2020 operating loss:
(\$2,175,000) – (\$2,992,000)

Fund has relied on fund reserves and ongoing tap/impact fees (development) to operate



Water Calculation

- In 1983 the Town of Wellington entered into an agreement with The North Poudre Irrigation Company
 - The town exchanged 53 shares of stock for 275 acre-feet of water per year and ability to draw an additional 1,725 acre-feet at an additional cost
 - The agreed upon formula was:

$$C = \frac{(MV \times I/100) + A}{5.5 \text{ AF/Share}} \times 1.07 / (MR - IR) * (\text{Total usage} - 275) + \frac{CBT \times W \times RD}{(CBT + NP) \times A} + YR$$

Where:

C= Charge per acre-foot

MV = Market value of a share of North Poudre stock

I = Interest rate

A = Annual North Poudre assessment per share

MR = Conservancy district municipal assessment

IR = Conservancy district irrigation rate

NP = NPIC domestic use decrees in acre-feet

CBT = Quota delivery to NPIC in acre-feet (80%40k)

W = Wellington water use

A = NCWCD Quota (percent)

RD = NCWCD rate differential (municipal – NPIC)

YR= Yearly Reserves (275 Acre-feet)

What is currently driving the price is the Market value of a share of North Poudre stock.

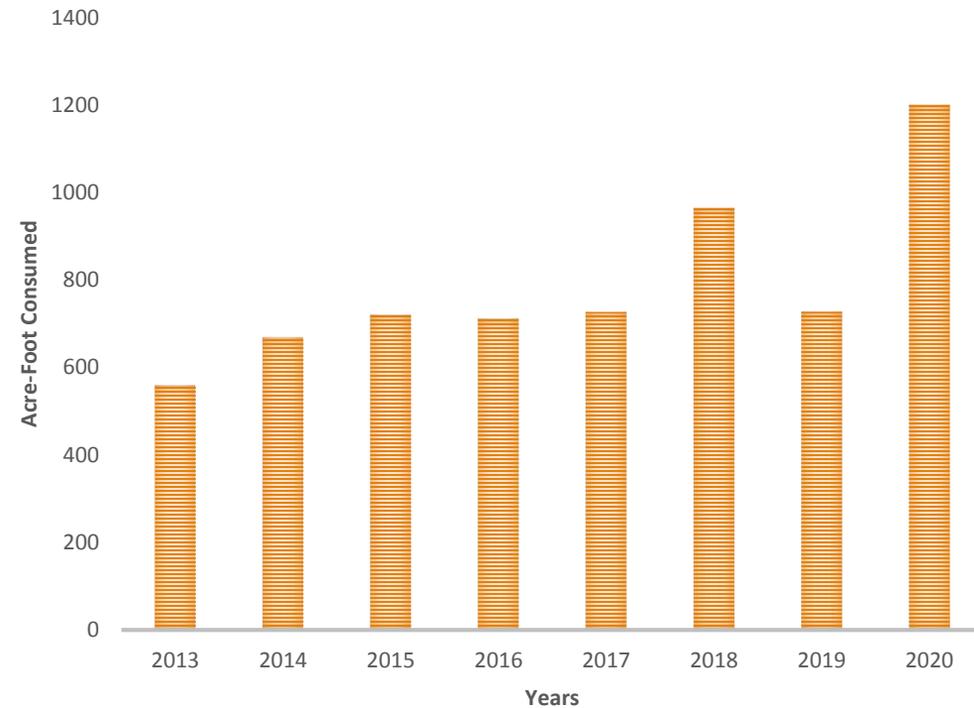
To convert the cost to 1,000 gallons:

Cost per acre-foot/326

Consumption

	Acre-Foot Used	Percentage Change
• 2013	559	
• 2014	668	19%
• 2015	720	8%
• 2016	711	(1%)
• 2017	726	2%
• 2018	964	33%
• 2019	727	(25%)
Estimated		
• 2020	903-1,200	24%-65%

ACRE-FOOT USED BY YEAR

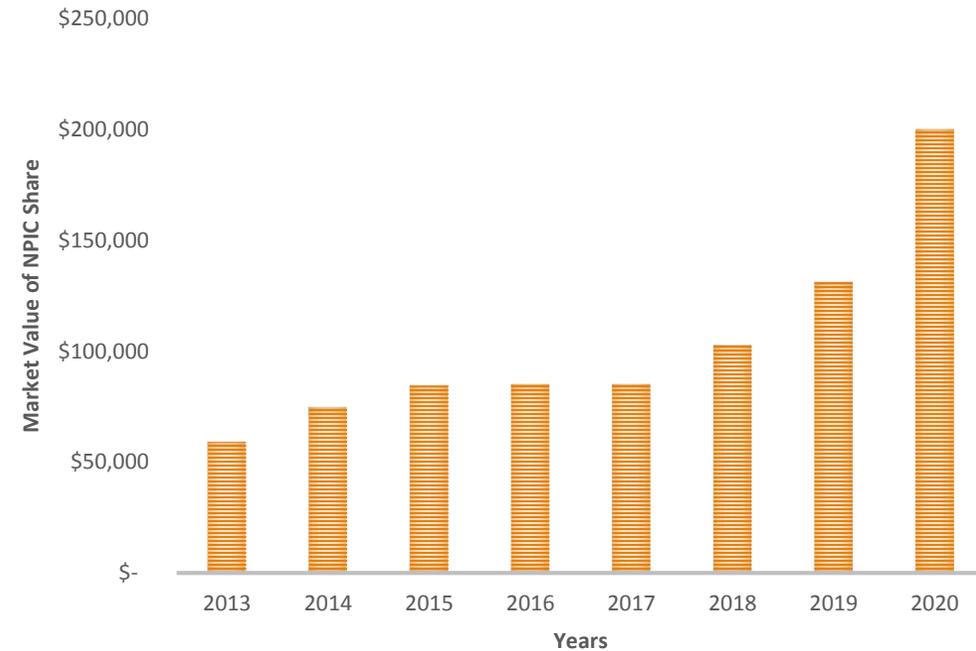


Market Value

	Market Value	Percentage Change
• 2013	\$59,000	
• 2014	\$74,600	26%
• 2015	\$84,500	13%
• 2016	\$85,000	0%
• 2017	\$85,000	1%
• 2018	\$102,604	21%
• 2019	\$131,129	28%
• *2020	*\$200,000	*53%

*Estimated

MARKET VALUE OF A SHARE OF NORTH POUUDRE STOCK



Breakdown

- Holding all variable constant except Fair Market value:

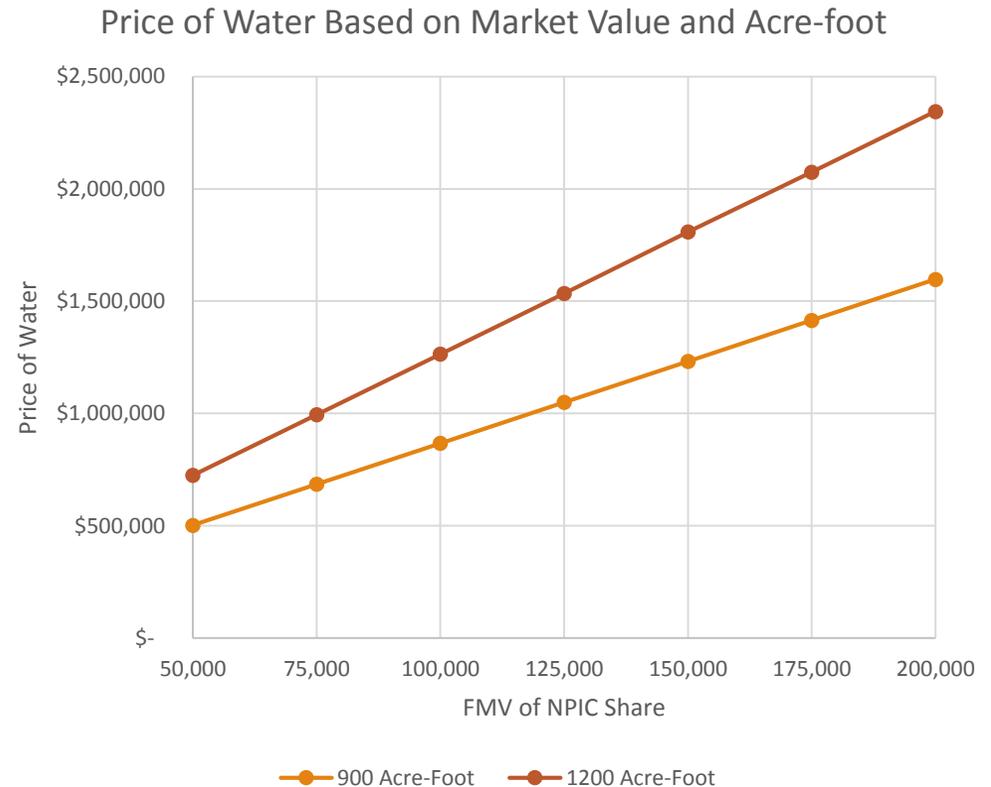
Assumption:

900 Acre-Foot

1200 Acre-Foot

<u>FMV</u>	<u>Price</u>	<u>Price</u>
\$50,000	\$502,695	\$724,683
\$75,000	\$685,081	\$994,615
\$100,000	\$867,467	\$1,264,547
\$125,000	\$1,049,854	\$1,534,478
\$150,000	\$1,232,240	\$1,808,410
\$175,000	\$1,414,626	\$2,074,342
\$200,000	\$1,597,013	\$2,344,274

- Total estimated revenue for the water fund in 2020 is \$2,097,382

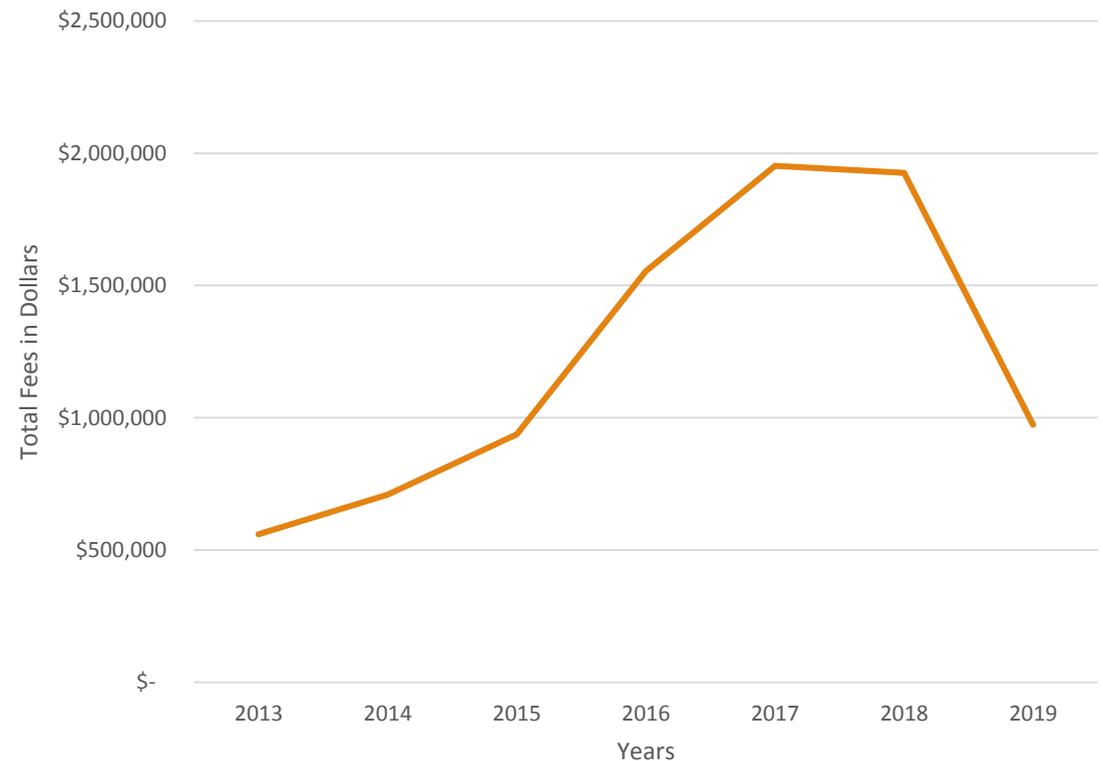


Capital Improvements & Impact Fees

- Capital assets, which include property, plant, equipment, and infrastructure.
- The primary funding for these improvements come from impact fees and water sales.
- Impact fees are used by the Town to pay for these needed improvements to accommodate the impact of the new growth. These are one-time fees and SHOULD be used for capital improvement NOT for operations.
- Every year the Town staff and Board of Trustees engage in a CIP (capital improvement plan). This helps identify major need for each specific fund and find source funding for said need.

	Impact Fees
2013	\$558,703
2014	\$708,687
2015	\$937,173
2016	\$1,553,892
2017	\$1,952,200
2018	\$1,926,011
2019	\$973,500

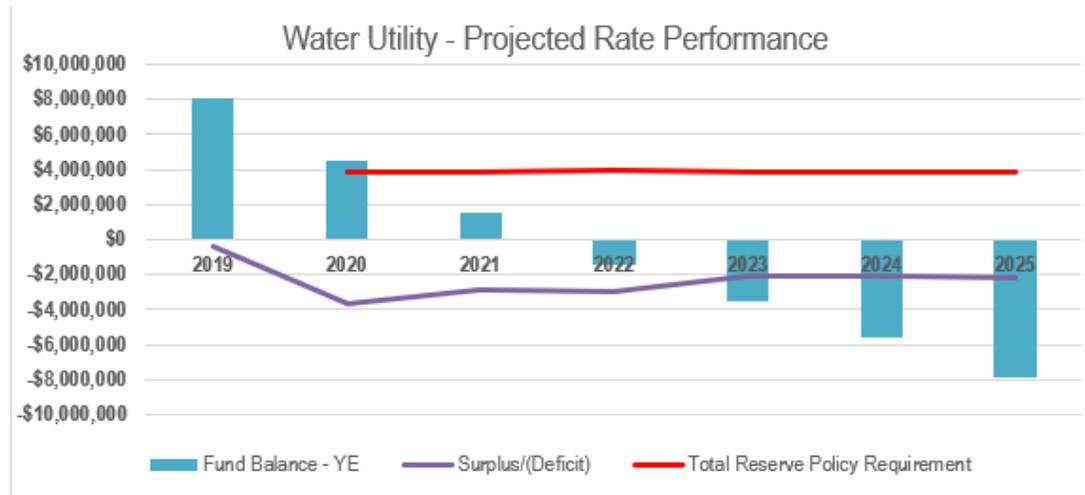
Total Impact Fees for Capital Improvements



	Water Fund - Capital Projects					
	Total Cost	2020	2021	2022	2023	2024
Equipment:	-					
Vehicle Replacement	30,000				30,000	
Bulk NaOH and Antiscalant	30,000	30,000				
Membranes for Nano	56,589	56,589				
Zero Turn Mower	9,000			9,000		
Pothole Machine	50,000	50,000				
Capital Projects:						
Water Plant Expansion Construction and Construction Management	23,952,165	13,730,780	10,221,385			
Emergency Power for Main Water Treatment Plant	212,000	212,000				
Tank Coatings	20,000	20,000				
Disinfection byproduct rule compliance (Tank Aeration)	106,000		106,000			
Back Up 2 MGD Pump	60,000	60,000				
Redundancy for pumps to water tower storage	50,000	50,000				
Wilson Well Improvements	480,000	480,000				
Clearwell High Service Pump Upgrade	25,000	25,000				
Nano Plant Expansion	47,513	47,513				
3 Chemical Chlorine Dioxide	160,000	160,000				
Improved Carbon Feed System	70,000	70,000				
Distribution:						
Bulk Water Dispenser	60,000	60,000				
Fire Hydrant Replacement	198,600	60,000	66,000	72,600		
Distribution System Master Plan	125,000	125,000				
Buffalo Creek Booster Station Upgrade	180,000	40,000	140,000			
Distribution System Rehabilitation Project		200,000	220,000	242,000	266,200	292,820
Total Capital Equipment and Projects	25,921,867	15,476,882	10,753,385	323,600	296,200	292,820

Current Rate Structure

		Water Rates (\$/unit)							
	Tier	Tier Size	2019	2020	2021	2022	2023	2024	2025
Fixed Charge Increase (%)			reset			0.0%	0.0%	0.0%	0.0%
Monthly Fixed Charge			\$ 18.86	\$ 18.86	\$18.86	\$ 18.86	\$ 18.86	\$ 18.86	\$ 18.86
Volumetric Increase (%)			0.0%	0.0%	25.0%	25.0%	5.0%	0.0%	0.0%
Tier	Included	0	n/a	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	1	15	\$3.65	\$3.65	\$4.56	\$5.70	\$5.99	\$5.99	\$5.99
	2	15	\$3.93	\$3.93	\$5.70	\$7.13	\$6.29	\$5.99	\$5.99
	3	>30	\$4.94	\$4.94	\$7.72	\$9.65	\$8.51	\$8.10	\$8.10



Cash Flow Analysis

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Projected Revenues	2,579,074	2,712,084	3,187,647	3,801,499	4,059,758	4,179,730	4,299,747
Projected Operating Expenditures	2,678,364	3,850,007	4,068,639	4,316,389	4,503,835	4,698,446	4,900,493
Operating Loss/Gain	(99,290)	(1,137,923)	(880,992)	(514,890)	(444,077)	(518,716)	(600,746)
Debt Service	298,750	1,623,879	1,621,453	1,588,427	1,547,992	1,464,694	1,462,016
CIP Projects		863,102	387,242	873,837	131,024	118,346	142,449
Total Cost	(398,040)	(3,624,904)	(2,889,687)	(2,977,154)	(2,123,093)	(2,101,756)	(2,205,211)
Ending Fund Balance	8,088,061	4,463,157	1,573,470	(1,403,684)	(3,526,777)	(5,628,533)	(7,833,744)

Outcomes:

1. The Town Board would have to approve non-compliance with the adopted fund balance policy. It would require action plan to ensure fund balance reserved are restored.
2. If the town reserved dropped below \$1,465,000, Colorado Water Resources and Power Development Authority (CWRPDA), will require an explanation as to why we are out of compliance and how we intend to restore compliance. If needed, the Authority will require the Town to complete a water rate study and raise rates within 6 months after the recommendation is issued.
3. If the Town is unable to restore fund balances, The Town becomes insolvent and forced to declare chapter 9 bankruptcy.

2020 4th Quarter Increase

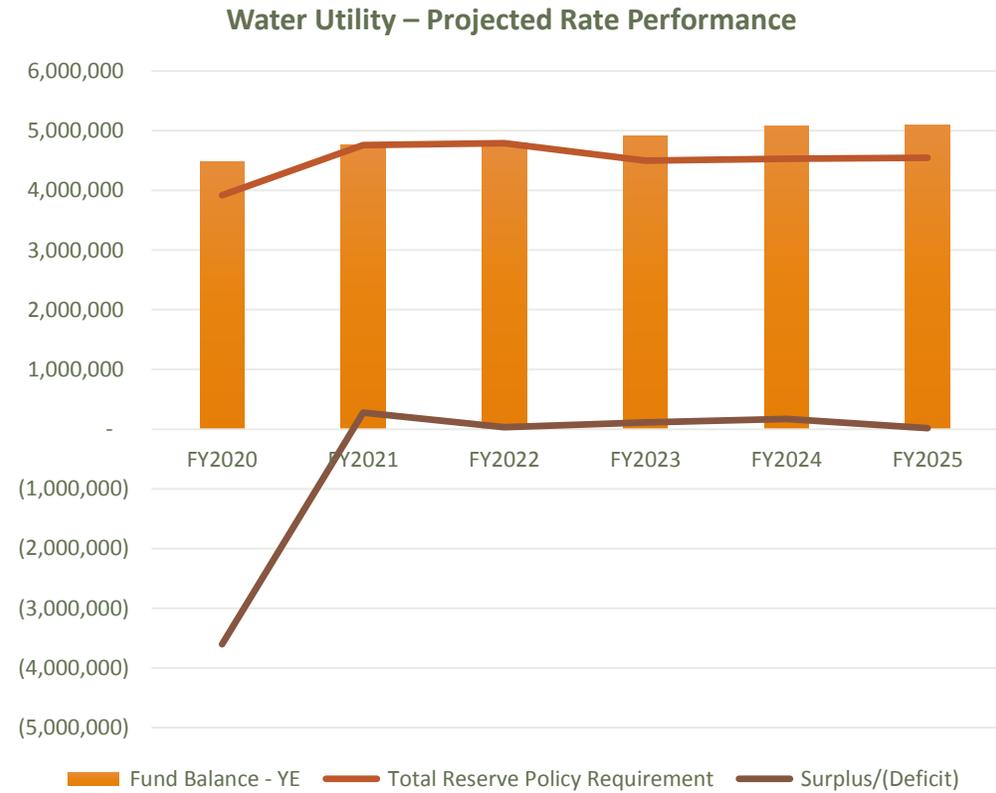
to Maintain fund balance policy

4 th Quarter Ending Base Rate	4 th Quarter Percentage Increase	2021 Required Base Rate	2021 Percentage Increase
\$18.86	0%	\$74.94	297% (Scenario 1)
\$20.00	6%	\$74.58	273%
\$25.00	33%	\$73.00	192%
\$30.00	59%	\$71.42	138%
\$35.00	86%	\$69.83	100% (Scenario II)
\$40.00	112%	\$68.25	71%
\$45.00	139%	\$66.67	48%
\$50.00	165%	\$65.09	30%
\$55.00	192%	\$63.51	15%
\$60.00	218%	\$61.93	3% (Scenario III)
\$65.00	245%	\$60.34	-7%
\$70.00	271%	\$58.76	-16%
\$75.00	298%	\$57.18	-24%

- For every \$5.00 increase in 2020 4th quarter, results in approximately \$1.58 decrease in required base rate increase in 2021.

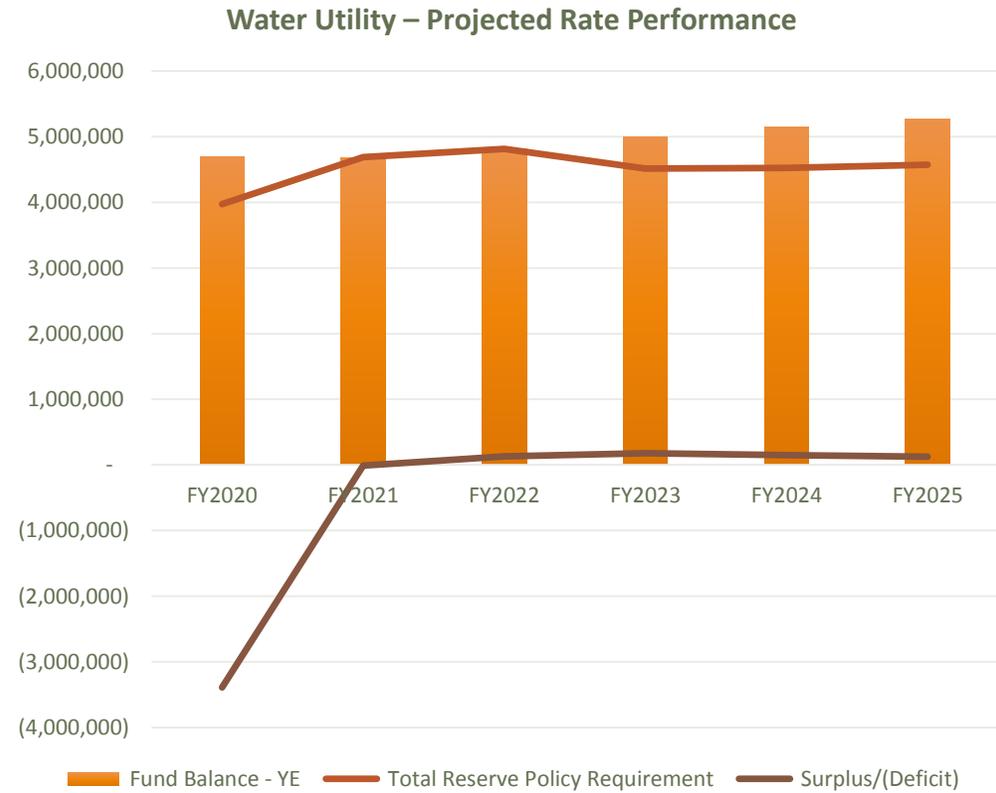
Scenario I

	Base Rates	% Change	Total Bill (7,000 Gallons)
FY 2020	\$18.86		\$82.88
FY 2021	\$74.94	297%	\$146.69
FY 2022	\$69.08	-8%	\$150.33
FY 2023	\$54.00	-22%	\$138.98
FY 2024	\$53.27	-1%	\$138.74
FY 2025	\$51.34	-4%	\$137.13



Scenario II

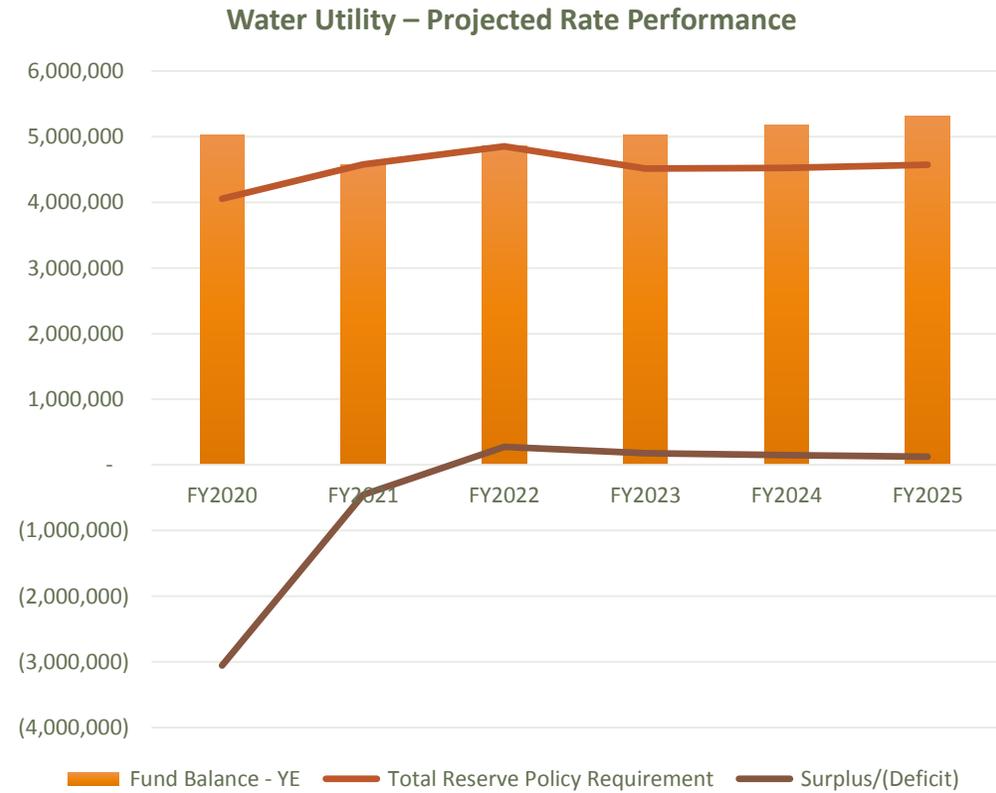
	Base Rates	% Change	Total Bill (7,000 Gallons)
FY 2020	\$35.00	86%	\$99.02
FY 2021	\$69.83	100%	\$141.58
FY 2022	\$70.68	1%	\$148.73
FY 2023	\$55.00	-22%	\$139.98
FY 2024	\$53.00	-4%	\$138.47
FY 2025	\$53.00	0%	\$138.79



Scenario III

STAFF Recommendation

	Base Rates	% Change	Total Bill (7,000 Gallons)
FY 2020	\$60.00	218%	\$124.02
FY 2021	\$61.93	3%	\$133.68
FY 2022	\$73.17	18%	\$154.42
FY 2023	\$55.00	-25%	\$139.98
FY 2024	\$53.00	-4%	\$138.47
FY 2025	\$53.00	0%	\$138.79



Pros & Cons

SCENARIO I

Pros

- Maintains current pay structure for 2020
- After initial 297% increase users can expect decrease in rates going forward
- Maintains fund balance policy

Cons

- 297% increase in 2021
- Largest base rate increases of all scenarios

SCENARIO II

Pros

- Step like structure
- Users max base rate will be least of all scenarios. The \$70.68 base rate is \$4.26 less than Scenario 1
- Maintains fund balance policy

Cons

- Users will experience three years of rate increases
- Two of the rate increases will be 100% increases

SCENARIO III

Pros

- Staff believes this is the best option.
- After initial increase, less dramatic increases. 2021 increase is 3% and then 2022 increase is 18%
- User less impacted by second required rate increase of 3%
- Maintains fund balance policy

Cons

- 2nd largest base rate increase of all scenarios

Please Answer
Poll Question

Wastewater & Storm Water

- Woodard & Curran evaluated our other utilities and concluded:
 - Wastewater – No change
 - Storm Water

Stormwater Rates - (\$/month)							
Current		2020	2021	2022	2023	2024	2025
Rate Increase (%) - Town		0.0%	12.0%	12.0%	12.0%	3.0%	2.0%
Rate Increase (%) - AUTH		0.0%	12.0%	12.0%	12.0%	3.0%	2.0%
\$6.33	Resi - Town	\$6.33	\$7.09	\$7.94	\$8.89	\$9.16	\$9.34
\$9.25	Comm. - Town	\$9.25	\$10.36	\$11.60	\$13.00	\$13.39	\$13.65
\$5.00	Resi - Auth	\$5.00	\$5.60	\$6.27	\$7.02	\$7.24	\$7.38
varies	Comm - Auth	Increase impervious surface sq. footage charges by same percentage as other rates					

COMMUNICATION TIMELINE

August 24th – Survey closes

September 8th – Staff shares results of community outreach efforts

September 22nd – Board approves utility rates

October 1st – New utility rates go into effect (depending on scenario)

QUESTIONS?