

City Council Utility Committee

Meeting Agenda

Friday, February 2, 2018

COUNCIL CHAMBERS, CITY HALL, 2ND FLOOR

2:00-4:00 pm

- I. Call to Order
- II. Roll Call
- III. Approval of Agenda
- IV. Approval of Minutes from January 19, 2018
- V. Public Comments on Items Not on the Agenda
- VI. 2018 Utility Rates & Recommendation
- VII. Adjourn 4:00 pm

Attachments: 1-19-18 Draft Minutes

Utility Rates Presentation

**City Council
Utility Committee
Draft - Meeting Minutes**

Friday, January 19, 2018

CITY COUNCIL CHAMBERS, CITY HALL, 2nd FLOOR

I. **Call to Order** – Jay Keany called the meeting to order at 8:15 am.

II. **Roll Call** was taken and the following members were present:

City Council: Jay Keany and Robert Muckle

Absent: Ashley Stolzmann

Staff Present: Heather Balsler, Kurt Kowar, Kevin Watson, Cory Peterson, and Graham Clark

Public: Mark Persichetti

III. **Approval of Agenda:** Agenda approved as written.

IV. **Approval of the Minutes:** The meeting minutes from October 27th were approved as written.

V. **PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA:**

None

VI. **Update – Water Resources**

Mr. Peterson provided a brief overview of the current conditions of water supplies as being below average with low snow pack measurements. The current Water Supply Index (WSI) is 0.86 and shows an indication towards a stage 1 drought level that would trigger a call for voluntary restrictions. If these low trends continue into the snowier months of March and April, the next Utility Committee meeting may require action to initiate the drought restriction process for Council approval.

Mr. Peterson indicated that the Windy Gap Project is progressing through design. The recent lawsuit is also working through the legal process with more activity anticipated in February.

City of Louisville

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Mr. Peterson presented an update on finalizing the addition of consulting services for the Windy Gap project. The contract is expected to go to Council in February or March.

Mr. Peterson reviewed the early financing options available to the City for the Windy Gap Project. The two options currently considered are: Pooled Financing (Option A) - where all participant would join together for a single loan on the project or Individual Financing (Option B) – where the City would secure a loan independent of the other project participants. Each option also includes a subset of 1) providing a cash down payment from fund reserves or 2) financing the entire cost. All options are highly sensitive to the projected interest rate. At this preliminary stage, a cash down payment (Option 1) appears to be the best option with slight advantage towards individual financing (Option B) based on assumed rates. Staff, First Southwest and Northern Water will continue to evaluate these options and refine the cost implication as the project cost, interest rates, terms and bond requirements become more distinct. Lastly, the financing options will also be presented at future Finance Committee meetings for their review and discussion.

VII. Update – CIP Projects

Mr. Peterson discussed upcoming projects and reviewed the Quarterly Report and the CIP summary. Emphasis was given to the SCWTP Pump Station that is under construction and estimated to wrap up in July, with High Zone pumps being operational in April. The multiple projects of HVAC, filter media, plate settlers and disinfection modifications at HBWTP are also underway. The last update was in regards to the Plant Improvements project that covers the 102 maintenance items. All 102 items have been awarded and are either under construction or have been completed.

Mr. Kowar outlined that staff are starting the 2019/2020 budget process which will include a review of the long term CIP Plan.

VIII. 2018 Utility Rates

Mr. Kowar highlighted the overall rate process and the final rate recommendation presentation that is ready for Council in March. A request from the Utility Committee was made to evaluate the possibility of utilizing financing options to lessen rate impacts from larger future CIPs. Staff will complete this process in conjunction with the 2019/2020 budget process. The Utility Committee voted in favor of the 2018 utility rates and recommends that the presentation be made to Council for approval with the Utility Committee support.

IX. Water Treatment Process Update

Mr. Kowar briefly summarized the various chemicals used in the water treatment process and the impacts to the operational budget. It is anticipated that chemical costs will fluctuate with some changes in suppliers/vendors, the modification to the disinfection equipment at both plants and the reinstatement of flow paced chemical addition.

X. Solid Waste Contractor Licensing

Mr. Persichetti provide an update on the Louisville's Sustainability Advisory Board monitoring of the requirements that City of Boulder and Boulder County have for waste haulers that includes a new software tracking system (ReTRAC). The Utility Committee asked staff to prepare an ordinance to effect this requirement within Louisville.

XI. Sustainability Utility – Agenda Discussion

Mr. Kowar outlined the current renewable power portfolio for the City. Currently, there is not a long term replacement program for renewable energies. The broader topic will be added as a more formal discussion at a future meeting.

XII. Upcoming Projects and Council Action

Mr. Peterson provide a brief update on upcoming Council approvals related to Windy Gap Transfer, Windy Gap Consulting, Utility Rates, 3rd Amendment to 5th Interim Agreement, SCWTP HVAC, Louisville Pipeline Control Vault, Water Tank Maintenance, SCWTP Tube Settlers Replacement and Windy Gap Financing.

XIII. Agenda Items and Date for Next Meeting

Mr. Kowar discussed the draft bi-monthly work plan.

XIV. Adjourn

The meeting was adjourned at 9:30 am by Mr. Keany and seconded by Mr. Muckle.

Utility Committee 2018 Utility Financial Plan Update

January 19, 2018

Overview

Financial Plan

- ▶ **Performance Metrics**
- ▶ **Alternatives**
 - ▶ **Just-In-Time**
 - ▶ **Smoothing - Recommended by Staff and Utility Committee**

Financial Planning Performance Metrics

Debt Service Coverage (DSC):

Ratio of net revenues

(operating revenue less operating expense)

to annual debt service payment

- ▶ **Target DCS above required minimum Values**
 - ▶ Conservative approach to ensure legal DSC minimums are met even if revenue forecasts are not achieved
 - ▶ Maintain or achieve higher credit ratings

Debt Service Coverage

Required DSC Ratio

Colorado Water Resources and Power Development Authority	1.10
2013 Water and Wastewater Enterprise Revenue Bonds	1.15

Dual Target DSC Ratio

Fund	w/o Tap Fees	with Tap Fees ⁽¹⁾
Water	1.2	1.4
Wastewater	1.2	1.3
Storm	1.3	1.3 ⁽²⁾

(1) To reduce variability, tap fee revenue is from the prior year i.e. 2018 tap fee revenue was collected in 2017

(2) A tap fee for the stormwater utility has not been established, therefore the dual target is not used

Financial Planning Performance Metrics

Cash Reserves:

Target is the same for all 3 Utilities:

120 days cash or 33% of Total O&M

Working Capital Reserves Policy (section 2.4):

Policy is the same for all 3 Utilities:

25% of current operating expenses

Debt Issuance

Utility	Debt Service Payment (\$million)							
	2018	2019	2020	2021	2022	2023	2024	2025
Water	\$0.9M	\$0.9M	\$0.9M	\$0.9M	\$0.9M	\$0.9M	\$0.9M	\$0
Wastewater	\$1.3M	\$1.3M	\$1.3M	\$1.3M	\$1.3M	\$1.3M	\$1.3M	\$2.0M
Stormwater	\$0.3M	\$0.3M	\$0.3M	\$0.3M	\$0.3M	\$0.3M	\$0.3M	\$0.4M
Total	\$2.5M	\$2.5M	\$2.5M	\$2.5M	\$2.5M	\$2.5M	\$2.5M	\$2.4M

Alternatives

Financial Model Inputs:

- ▶ Revenues and Expenditures from Financial System
(equivalent with December-Financial Statement, subject to update year-end reporting)
- ▶ Tap Fees from 2017-2021 Revenue Projection (updated July '17 by Finance, Planning and Public Works)
- ▶ Capital Improvement Projects (updated December by Public Works, subject to year-end reporting)

WATER

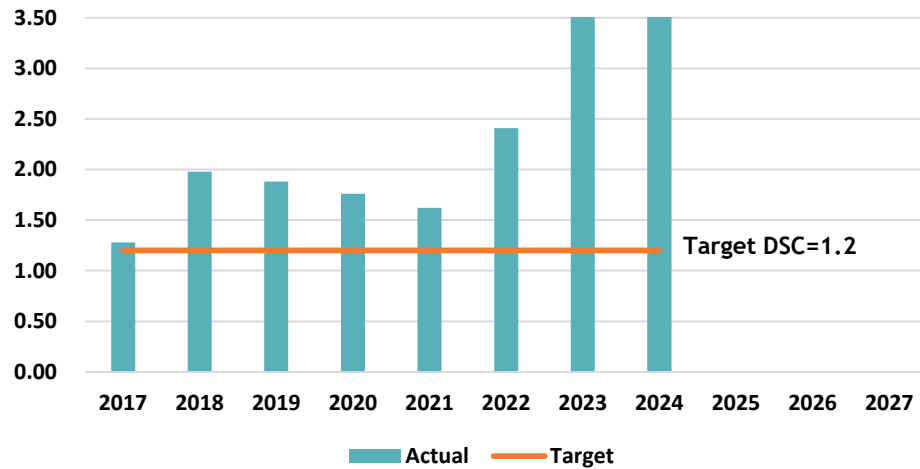
WATER

Financial Planning Alternatives

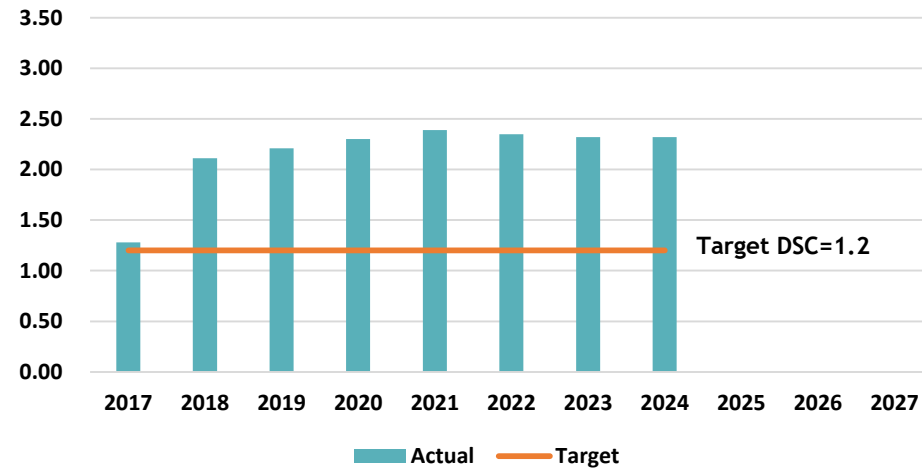
2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
2017 Plan									
3%	3%	3%	3%	2%	4%	4%	4%	4%	-
“Just-In-Time” Revenue Increases									
0%	0%	0%	0%	24%	21.5%	0%	0%	0%	0%
“Smoothing” Revenue Increases									
3%	3%	3%	3%	3%	3%	3%	0%	0%	0%

WATER: Financial Plan Alternatives

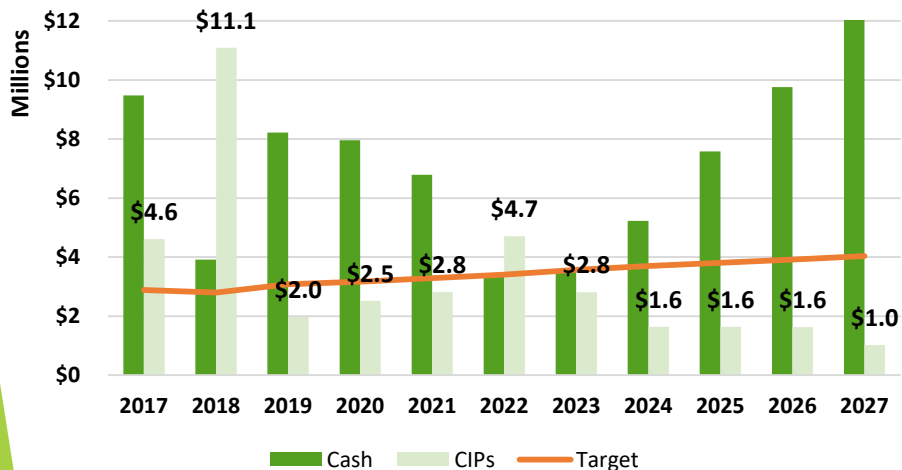
Just-In-Time: DSC (0% for 2018)



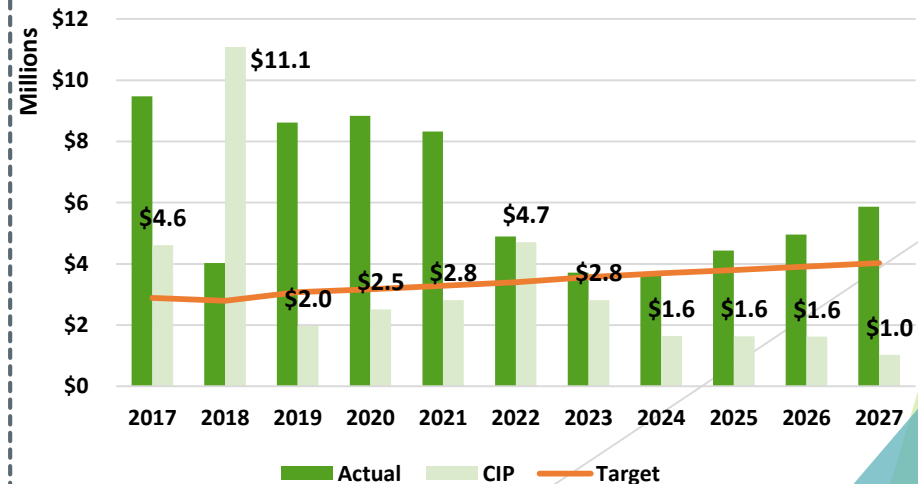
Smoothing: DSC (3% for 2018)



Just-In-Time: Cash Reserves (0% for 2018)



Smoothing: Cash Reserves (3% for 2018)



Recommended

WASTEWATER

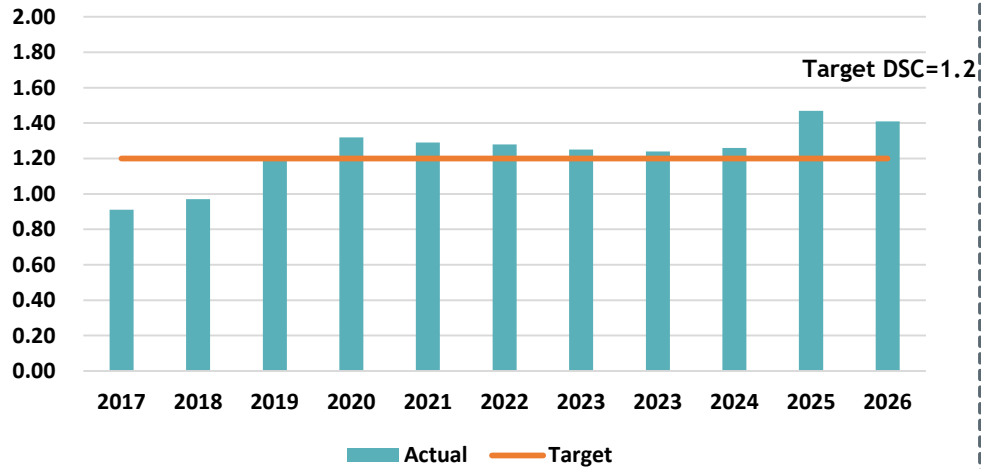
WASTEWATER

Financial Planning Alternatives

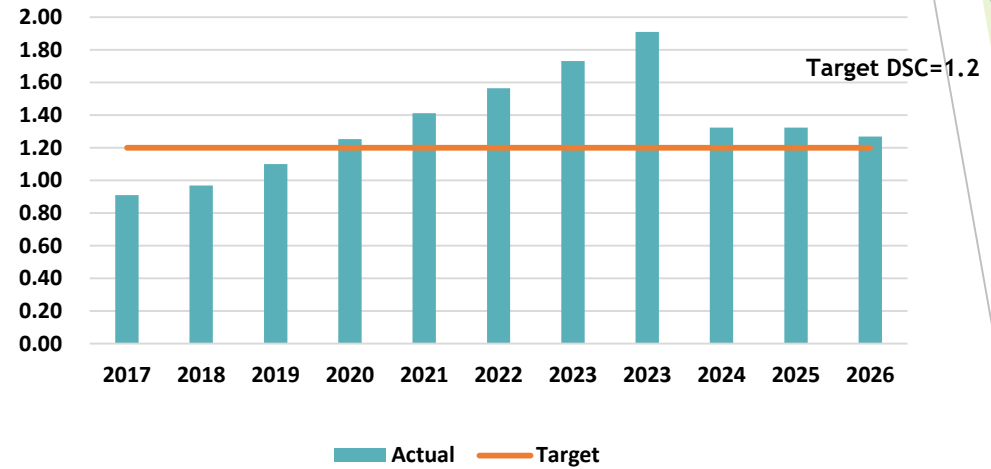
2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
2017 Plan									
7%	6%	6%	6%	6%	6%	6%	6%	2%	-
“Just-In-Time” Revenue Increases									
7%	13%	2%	0%	3%	1%	3%	36%	0%	0%
“Smoothing” Revenue Increases									
7%	7%	7%	7%	7%	7%	7%	6%	0%	0%

WASTEWATER: Financial Plan Alternatives

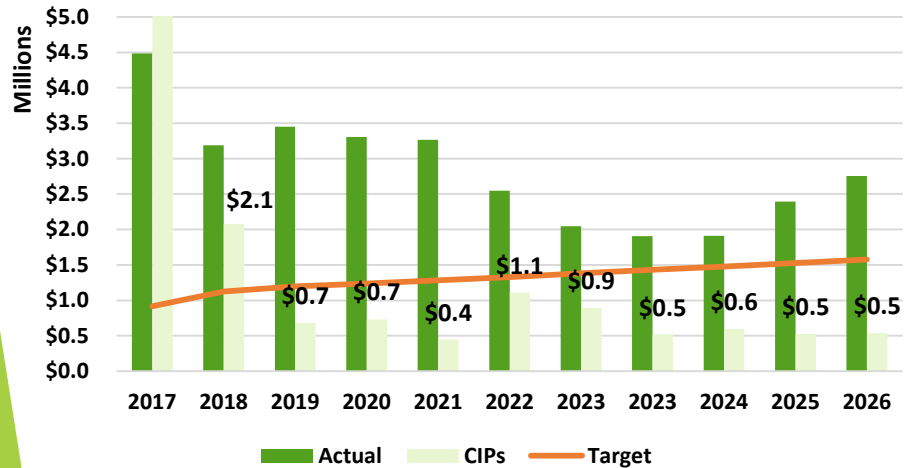
Just-In-Time: DSC (7% for 2018)



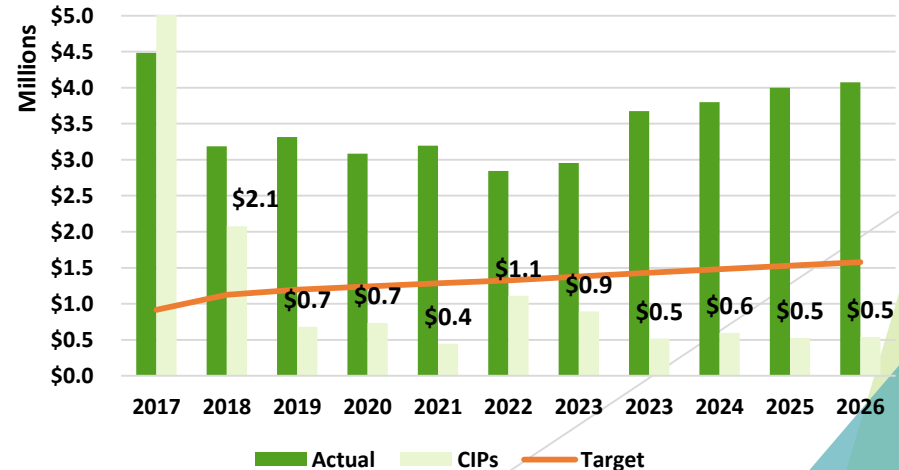
Smoothing: DSC (7% for 2017)



Just-In-Time: Cash Reserves (7% for 2018)



Smoothing: Cash Reserves (7% for 2017)



Recommended

STORMWATER

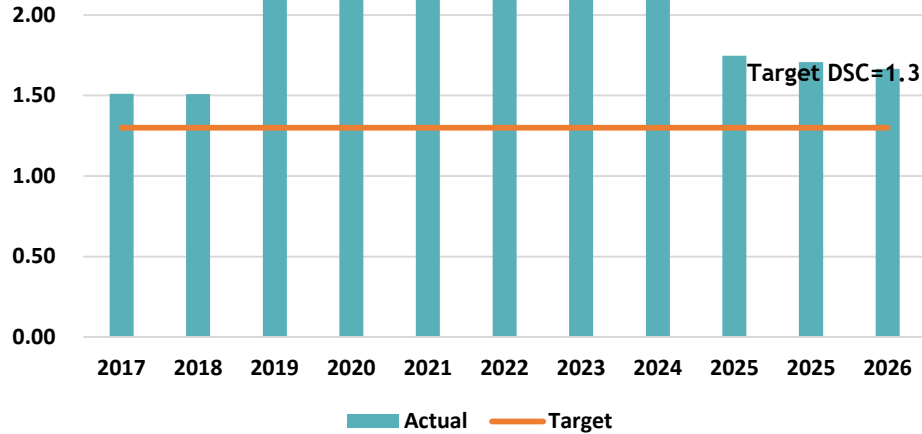
STORMWATER

Financial Planning Alternatives

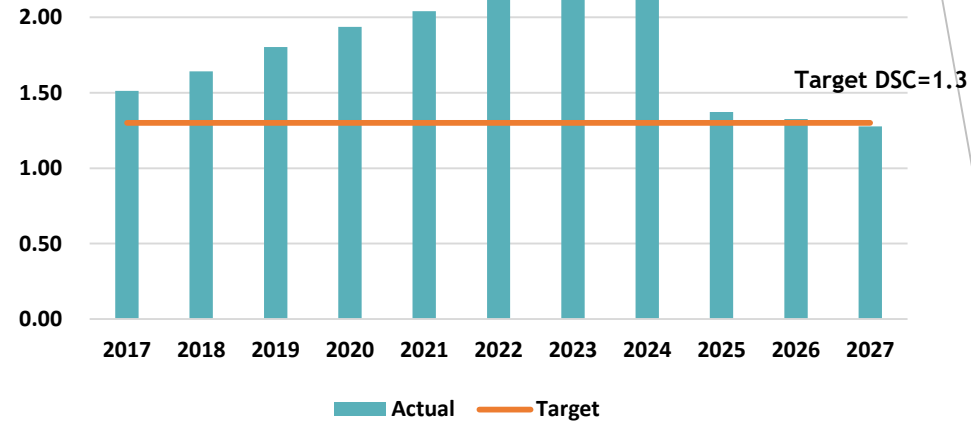
2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
2017 Plan									
3%	3%	3%	3%	3%	3%	4%	4%	4%	-
“Just-In-Time” Revenue Increases									
0%	52%	0%	0%	0%	0%	0%	0%	0%	0%
“Smoothing” Revenue Increases									
7%	7%	4%	4%	4%	4%	0%	0%	0%	0%

STORMWATER: Financial Plan Alternatives

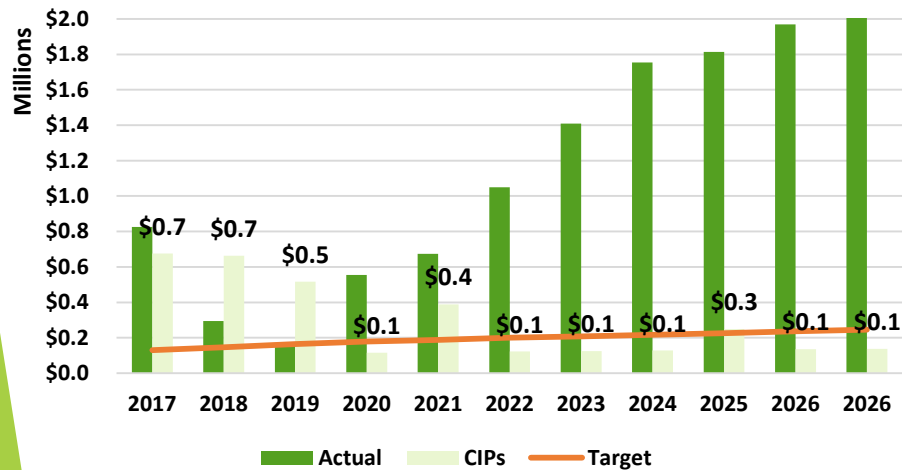
Just-In-Time: DSC (0% for 2017)



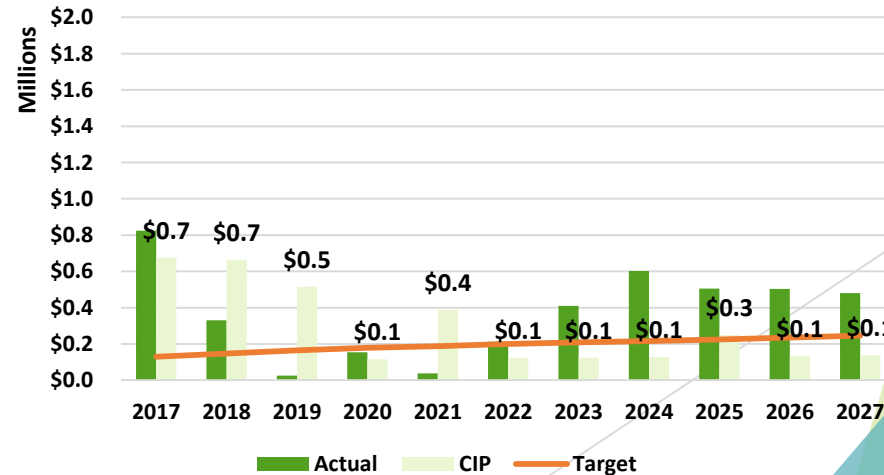
Smoothing: DSC (7% for 2018)



Just-In-Time: Cash Reserves (0% for 2017)



Smoothing: Cash Reserves (7% for 2018)



Recommended

Recommended Rate Increase:

	2018	2019	2020	2021	2022	2023
Alternative 2 - “Smoothing” Revenue Increases (All funds self-sufficient)						
Water	3% 3%	3% 3%	3% 3%	3% 3%	3% 2%	3%
Wastewater	7% 7%	7% 6%	7% 6%	7% 6%	7% 6%	7%
Stormwater	7% 4%	7% 3%	4% 3%	4% 3%	4% 3%	4%

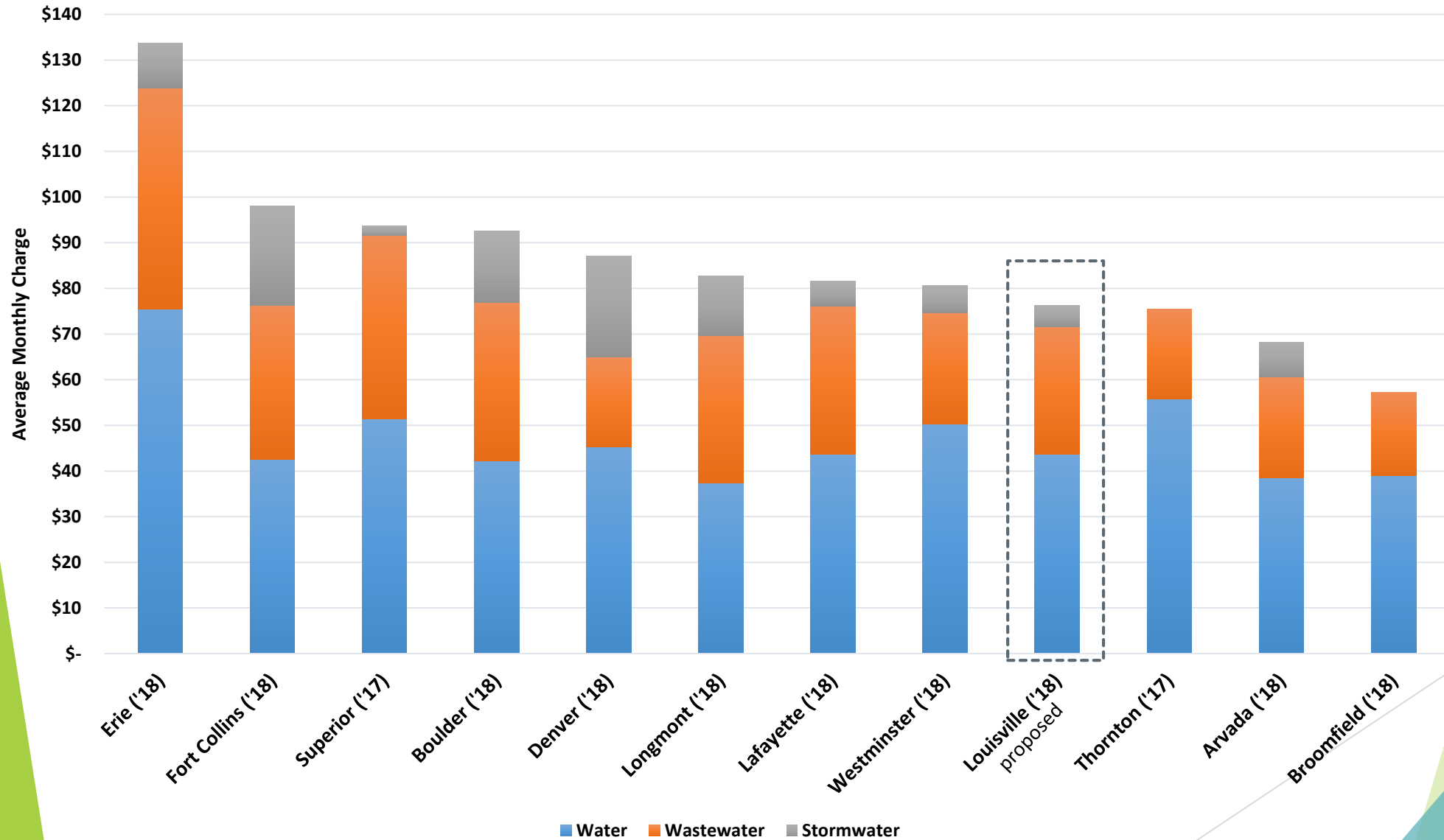
Prior Study 2018 - 2022 Projected Revenue Increases in strikethrough text

Average Residential Bill:

	Current 2017	Proposed 2018	Difference	Percent Increase
Water	\$42.37	\$43.65	\$1.28	3%
Wastewater	\$26.63	\$28.53	\$1.90	7%
Stormwater	\$4.40	\$4.71	\$0.31	7%
Total	\$73.40	\$76.89	\$3.49	4.5%

Based on average usage of approx. 9,220 gallons. Actual bills will be dependent on usage and will vary based on seasonal fluctuation.

Average Monthly Water, Wastewater & Storm Rates (Louisville Single Family Residential)



Historical Water and Sewer Rates

