

BOARD OF TRUSTEE WORK SESSION AGENDA

Thursday, January 18, 2024 at 6:00 p.m. Held at the Carsten Board Room at 224 First Street

A) Utility Rates Follow-up and Discussion

• Raftelis Rate Study 2023

Town of Eaton

Water, Sewer, and Non-Potable Rate and Tap Fee Study

December 14, 2023





Agenda

Study goals and objectives



Cost of Service

Pricing objectives



Rate structures





The Town's rates and fees must:



How we'll get there



Fund Operations



Fund Capital Projects



Maintain Reserves and DSC







Rate study process



Starting with the End



Total monthly bill comparison: lower volume user Residential – 4,000 gal water, 2,000 gal sewer



OW

Total monthly bill comparison: average volume user Residential – 7,000 gal water, 4,000 gal sewer



Total monthly bill comparison: higher volume user Residential –11,000 gal water, 4,000 gal sewer



High

Financial Plan Overview



$\overset{\times \ }{\underset{\ }{\otimes} \ }{}_{\times}$ Financial planning process

What is the revenue required to meet expenditures?





Multi-Year Financial Plan

Financial planning cash flow structure



Financial plan assumptions



Financial plan assumptions

Reserve Targets	 Operating reserve: 90 days annual O&M Replacement capital reserve: 1 year depreciation expense Debt service coverage: 1.25 times debt service payments 				
Proposed Debt	 3.8% interest rate – assumed State loan 20 year term Water: \$27.25 million issuance in 2028 – Cobb Lake WTP Sewer: \$500 thousand issuance in 2025 and 2027, \$1.1 million issuance in 2026 – Maplewood Lift Station \$3 million issuance in 2031 – WWTP Expansion 				
Rate Revenue Adjustment Strategy	 Fund operations using rate revenues and reserves Maintain debt service coverage and reserve levels Minimize rate shock through uniform rate increases as practical 				

Water Financial Plan



Water capital expansion capital funding 2023 – 2032 forecast, \$ millions



Water operating revenues and expenditures

- Rate revenues
- Other income
 and
- O&M expense
- R&R capital
- Transfers



Water operating cash flow financial metrics



Proposed Annual Rate Increases



Sewer Financial Plan



Sewer capital expansion capital funding 2023 – 2032 forecast, \$ millions



Sewer operating revenues and expenditures

Rate revenues Other income

and

- O&M expense
- R&R capital
- Transfers



Sewer operating fund cash flow financial metrics

Ending Balance and Target Reserves



Proposed Annual Rate Increases



Non-Potable Financial Plan



Non-Potable cash flow

- Rate Revenues
- Other income and
- O&M expense
- Capital costs







Cost of Service



What is a cost of service analysis?

 \checkmark

- Determines amount of revenue to be recovered from each customer class
- Considers the number of customers and usage demands they impose on the system

Recognizes the different demand and customer characteristics of each class

- Water
 - Average day demand
 - Peak demands
 - Number of customers
 - Number of meters by size

- Sewer
 - Contributed flow
 - Wastewater strength
 - Infiltration and inflow



Cost to provide service will vary by class

What is a cost of service analysis?

 \checkmark

• Determine the revenue requirement

 \checkmark

• Assign costs based on system facility or function in system which drives that expense

 \checkmark

 Allocate functionalized costs based on how facilities are designed or are operated in the system



Distribute allocated costs to customer classes based on their customer and demand characteristics



Water 2024 cost of service results Proportionate cost recovery between classes

Customer Class	2024 Cost of Service	2024 Revenue Under Existing Rates	Change \$	Change %
Residential	\$2,694,600	\$2,247,330	\$447,270	19.9%
Commercial/Industrial	361,274	299,232	62,042	20.7%
Total System	3,055,875	2,546,562	509,312	20.0%



Sewer 2024 cost of service results Proportionate cost recovery between classes

Customer Class	2024 Cost of Service	2024 Revenue Under Existing Rates	Change \$	Change %
Residential	\$879,322	\$785,109	\$94,213	12.0%
Commercial/Industrial	212,670	189,884	22,786	12.0%
Total System	1,091,992	974,993	116,999	12.0%

Pricing Objectives/ Rate Design





31



Pricing Objectives

A means of ensuring community values are reflected in the way costs of providing service are recovered.



Required objectives

Costs covered - Financial health maintained

Legally compliant; defensible in court

Common pricing objectives



Revenue stability



Cost recovery between classes



Essential use pricing



Customer understanding



Cost recovery within a class



Cost recovery between existing and new customers



Efficient water use pricing signal



Customer impact



Ease of administration/ implementation

Rate Design



Water Rate Alternatives





Water rate structure components for proposed alternatives

	 Meter maintenance and meter reading
Base Rate	 Customer service, billing, and collection (general admin)
\$ per bill	 A component of capital costs = depreciation
	 Total service charge revenue recovers 25% of total rate revenue
Volume-Related Costs \$ per Kgal	 Water purchase costs from North Weld County Water District Transmission and distribution system to move water Storage and pumping facilities Fire protection costs

Residential cost of service rate structure alternatives



- Alternative 1: Minimum charge with allowance and 3-tiered structure
 - Maintains volume allowance of 4,000 gallons in service charge
 - Addition of tiered rates to promote further wise use of water
- Alternative 2: Service charge with no minimum and 4-tiered structure
 - Removes volume allowance of 4,000 gallons in service charge
 - Addition of tiered rates to promote further wise use of water
- Both alternatives recover the residential cost of service

2024 proposed water residential rate alternatives

Existing Rates		Alt 1: Min. Charg with Allowance + 3-tiered	e F	Alt 2: Service Charge with no Allowance + 4- tiered)
Matar	Monthly	Matar	Monthly	Motor	Monthly
weter	wontny	weter	wonthiy	weter	wontniy
Size	Base Rate	Size	Base Rate	Size	Base Rate
5/8 inch	\$49.12	5/8 inch	\$58.09	5/8 inch	\$24.93
3/4 inch	49.12	3/4 inch	58.09	3/4 inch	24.93
1 inch	49.12	1 inch	72.40	1 inch	39.25
1.5 inch	49.12	1.5 inch	108.75	1.5 inch	75.60
2 inch	49.12	2 inch	154.19	2 inch	121.04
Threshold	Rate, \$ per Kgal	Threshold	Rate, \$ per Kgal	Threshold	Rate, \$ per Kgal
4	\$0.00	4	\$0.00	4	\$7.78
>4	7.99	10	5.67	10	9.72
		20	10.63	20	12.15
		>20	15.95	>20	15.19

Typical monthly residential bills at various levels of consumption by rate alternative



Typical monthly residential bills at lowest levels of consumption by rate alternative

Г		NO. OF		Existing Rates	Alt 1: Min. Charge w tiere	ith Allowance + 3- d	Alt 2: Service Charge + 4-tie	with no Allowance ered
US	SAGE	BILLS IN	Cumulative					
BL	OCK	BLOCK	% OF	Existing	Alternative 1	\$ Change	Alternative 2	\$ Change
ga	Illons	(#)	BILLS	Bill - \$	Bill - \$	in Bill	Bill - \$	in Bill
	0	-	0.0%	\$49.12	\$58.09	\$8.97	\$24.93	\$(24.19)
	1,000	1,360	5.3%	49.12	58.09	8.97	32.71	(16.41)
	2,000	3,174	17.6%	49.12	58.09	8.97	40.49	(8.63)
	3,000	3,939	32.8%	49.12	58.09	8.97	48.27	(0.85)
	4,000	3,760	47.4%	49.12	58.09	8.97	56.05	6.93
	5,000	2,883	58.6%	57.11	63.76	6.65	65.77	8.66
	6,000	1,987	66.3%	65.10	69.43	4.33	75.49	10.39
	7,000	1,302	71.3%	73.09	75.10	2.01	85.21	12.12
	8,000	890	74.8%	81.08	80.77	(0.31)	94.93	13.85
	9,000	754	77.7%	89.07	86.44	(2.63)	104.65	15.58
	10,000	592	80.0%	97.06	92.11	(4.95)	114.37	17.31
	15,000	347	87.9%	137.01	145.26	8.25	175.12	38.11
	20,000	198	92.5%	176.96	198.41	21.45	235.87	58.91
	25,000	137	95.9%	216.91	278.16	61.25	311.82	94.91

40 Customers without non-potable usage

Proposed commercial rate structure



- Monthly service charge rate
 which varies by meter size
- Uniform volume rate

Existing Rates		Proposed Rates	
Meter	Monthly	Meter	Monthly
Size	Base Rate	Size	Base Rate
5/8 inch	\$49.12	5/8 inch	\$24.93
3/4 inch	49.12	3/4 inch	24.93
1 inch	49.12	1 inch	39.25
1.5 inch	49.12	1.5 inch	75.60
2 inch	49.12	2 inch	121.04
3 inch	49.12	3 inch	227.26
4 inch	49.12	4 inch	362.21
6 inch	49.12	6 inch	694.13
Threshold	Rate, \$ per Kgal	Threshold	Rate, \$ per Kgal
4	\$0.00	All Usage	\$9.56
>4	7.99		

Sewer Rates



Sewer rate structure

 Existing structure Residential: Base rate per month Commercial: Base rate + volume or unit charge depending on class Industrial: Base rate depending on class Proposed structure Residential: Flat Rate Non-Residential: Base rate + volume charge based on return flow assumption
Non-Residential. Dase rate + volume charge based on return now assumption

Existing Rate Structure	Service Charge		Volume Charge	
Residential	\$29.15	\$per bill	N/A	
Commercial				
Class I	\$15.40	\$ per bill	\$4.07 per kgal	
Class II, schools	\$1.45	\$ per student	N/A	
Class III, laundromats	\$23.65	\$ per washing machine	N/A	
Class IV	\$29.15		N/A	
Industrial				
Harsh	\$990.00			
Agfinity	\$204.60			
Eaton Country Club	\$173.80			
Eaton Early Learning Center	\$36.30			

	\$33.48
\$9.51	
\$7.32	
	\$9.51 \$7.32

Non-Potable Rates



Non-Potable rate structure



- Existing structure
 - Residential base rate charged based on 4 lot size bins
 - Commercial base rate charged on 100 sq ft of landscaped area
- Proposed Structure
 - Unmetered connections existing structure with 15% increase
 - Metered connections base rate depending on meter size + volume rate

Existing Rate Structure			Proposed Structure				
Residential	\$ per bill		Unmetered Connecti	ons		Metered Connection	ns
0 - 4,000 sf	\$17.70		Residential	\$ per bill		Base Rate, \$ per bi	II
4,001 - 8,000 sf	19.70		0 - 4,000 sf	\$20.36		5/8 inch	\$24.93
8,001 - 12,000 sf	21.70		4,001 - 8,000 sf	22.66		3/4 inch	24.93
> 12,000 sf	23.70		8,001 - 12,000 sf	24.96		1 inch	39.25
Commercial	\$0.28	per 100sf of landscaped area	> 12,000 sf	27.26		1.5 inch	75.60
	,	he:				2 inch	121.04
			Commercial	\$0.32	per 100sf of landscaped area	3 inch	227.26
						4 inch	362.21
						6 inch	694.13

Utility Surveys



Peer utility residential typical bill survey 5/8" tap; 7,000 gallons water usage, 4,000 sewer



Tap Fees



Tap fees defined



Legislatively adopted



 Intended to defray the projected impacts on capital facilities caused by development



Local government to quantify to the proposed impacts of proposed development



Local government to establish fee at a level no greater than necessary to defray the impact related to development

Tap fees defined continued



- One-time fee for capacity to serve new development
- Incremental fee for increased in capacity



 Fee based on the value of utility's capacity and the amount of capacity needed by new development



• Fee represents cost to reserve capacity in backbone facilities such as treatment plants, transmission mains, treated storage, etc.



• Fee balances equity between new and existing customers

Comparison of existing and calculated water tap fees

Tap Size (inches)	Current Tap Fee	Meter Capacity Ratio	Proposed Tap Fee	Change \$
3/4"	\$13,494	1.0	\$17,159	\$3,665
1"	\$17,300	1.3	\$21,999	4,699
1.5"	\$33,500	2.5	\$42,599	9,099
2"	\$53,800	4.0	\$68,412	14,612
3"	\$111,500	8.3	\$141,784	30,284
4"	\$172,400	12.8	\$219,224	46,824

Includes North Weld County Water District tap fee

Sewer tap fees No proposed changes

Tap Size (inches)	Existing Equiv. Ratio	Current Tap Fee
3/4"	1.0	\$3,000
1"	1.7	5,095
1.5"	3.3	9,892
2"	5.3	15,886
3"	11.0	32,972
4"	17.0	50,957

Peer utility tap fee survey

Severance	\$21,850		\$6,500
Firestone	\$22,200		\$5,920
Frederick	\$17,617	\$5,9	920
Dacono	\$14,500	\$5,920	
Eaton (Proposed)	\$17,159	\$3,000	
Little Thompson WD	\$19,600		\$0
Evans	\$9,808	\$9,623	
Eaton (Existing)	\$13,494	\$3,000	
Windsor	\$9,900	\$4,499	
■ Water ■ Sewer			

Administrative Fees



Administrative fees defined

Delinquent Disconnect / Reconnect	 Assessed for failure to pay a utility bill, requiring service to be turned off and reconnected after payment Eaton assessed after 90 days past due 	
Transfer of Ownership	 Assessed when a property changes ownership Added to final bill upon transfer from owner to buyer 	
Tenant Move In	 Assessed when the billing name for a property is changed Added to the billing account 	
Late Fee	 Applied to bills that are paid past the due date Eaton does not currently assess a late fee for past due balances 	

Peer utility administrative fee survey



Peer utility late fee survey



- Delinquency/Disconnect fee, but no additional Past Due fee
 - Eaton, Firestone, Evans
- Flat amount
 - Berthoud, Ault, Severance, Dacono, Windsor, FCLWD, Loveland
- Percentage of past due
 amount
 - LTWD, Erie
- Combination
 - Frederick



Thank you!

Contact: Todd Cristiano 303 305 1138 / tcristiano@raftelis.com