



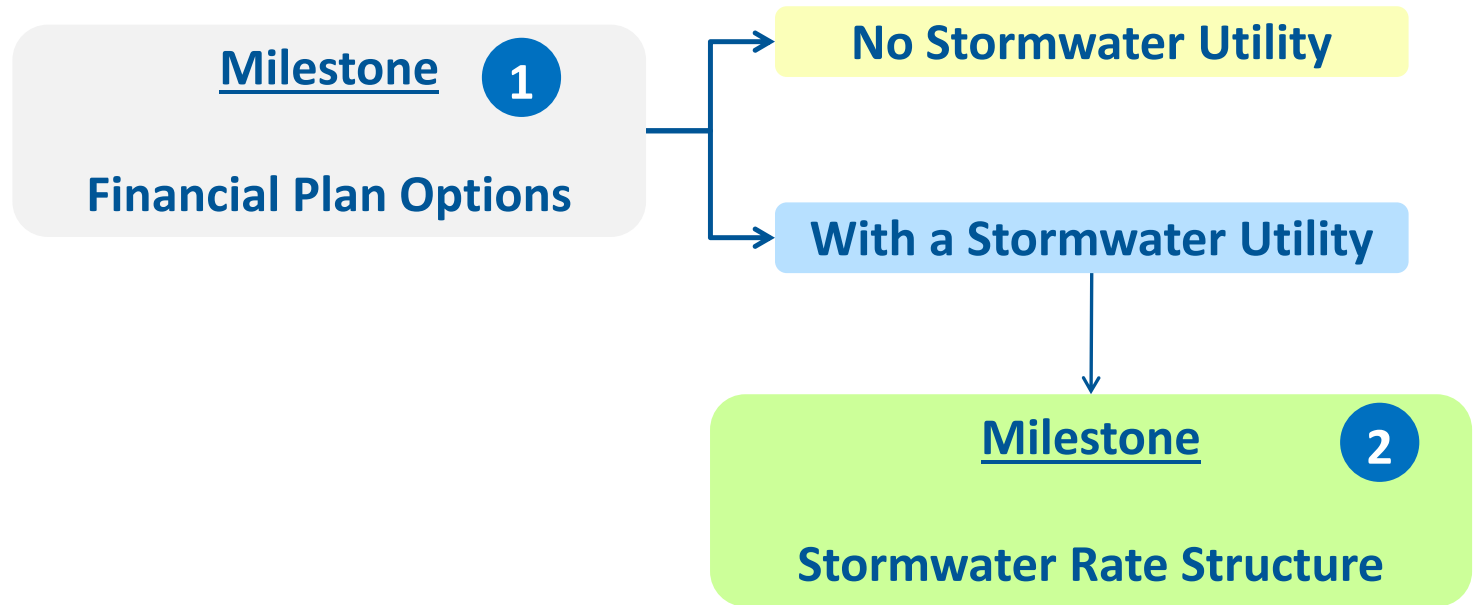
Water, Sewer & Stormwater Utility Rate Study Update
Financial Plan and Stormwater Utility

Our Purpose Today

- Provide Alternative Financial Plan
- Provide an update on stormwater utility
- Solicit feedback on path forward

Decision on path forward with alternative financial plan

We have completed **two key milestones** in the ongoing comprehensive Water, Sewer, Stormwater Rate Study



Financial Plan Update

Changes to November 28th Presentation

Financial Planning Results

New Financial Plan Option

- FY 2017 through FY 2021 Financial Plan



OPTION 4



With a Stormwater Utility

Debt Financing of CIP in FY2018 and FY2020

Increased FY2017 Loan from Sewer to Water and Reduced Payback

One time FY2018 Transfer from Sewer to Stormwater

**2017 Revenue Increases:
Water 2%
Sewer 0%**

Scenario Changes

- FY 2017 through FY 2021 Financial Plan

Issues

- **O&M Reserve**
 - Previous: Grow to 60 days by 2020
 - **Revised:** Grow to **50** days by 2020
- **One-Time FY2017 Loan from Sewer to Water**
 - Previous: Loan \$500,000, paid back over 3 years
 - **Revised:** Loan **\$900,000, 25%** paid back over **4** years
- **One-Time FY2018 Transfer from Sewer to Stormwater**
 - Previous: None
 - **Revised:** Transfer **\$110,000**
- **Elderly Discount**
 - Previous: None
 - **Revised:** Added **\$25,000** grant beginning in 2018
- **Stormwater Implementation Costs**
 - Previous: \$250,000
 - **Revised:** Reduced to **\$200,000**



OPTION 4



Equitable cost recovery



Achieve Financial Policies



Funding Stability



Least Financial Burden



6

- **Enhanced Benefits of Option 4**

- Mitigated water revenue increase from 8% in FY2017 to 2%
- No sewer revenue increases (no change)
- Mitigated stormwater user fee from \$3.05 to \$2.90
- Efficiently utilizes fund balances in sewer to support water and stormwater

Achieves All Four Key Principles

Financial Performance

Performance targets are typically set to align with City financial policies and industry financial best practices



Operating Reserve - # of days of Operating Expense

	2017	2018	2019	2020	2021
Financial Policy Target	51	51	51	51	51
Combined	15	28	43	50	50

Capital Reserve - % of annual average of adopted 5-year CIP

	2017	2018	2019	2020	2021
Financial Policy Target	20%	20%	20%	20%	20%
Combined	17%	17%	18%	20%	27%

PROPOSED OPERATING PRO FORMA - WATER

Line No.		2016	2017	2018	2019	2020	2021
1	Revenue Under Existing Rates	\$9,252,700	\$9,450,000	\$9,544,100	\$9,638,000	\$9,734,800	\$9,831,400
2	Revenue Increase		2%	0%	0%	0%	0%
3	Total Revenue (Includes Miscellaneous Revenue)	\$9,495,800	\$9,897,200	\$9,995,300	\$10,092,900	\$10,189,400	\$10,287,700
4	Operation & Maintenance	-\$4,579,600	-\$5,082,000	-\$4,541,100	-\$4,672,200	-\$4,809,000	-\$4,952,600
5	Debt Service	-\$1,723,100	-\$1,732,300	-\$1,819,600	-\$1,848,400	-\$1,956,900	-\$1,985,900
6	Cash Financing of Capital	-\$1,561,100	-\$1,893,000	-\$1,562,000	-\$2,423,000	-\$1,770,000	-\$1,720,000
7	Transfer (to)/from Operating Reserve	-\$188,100	-\$20,200	-\$163,200	-\$201,300	-\$80,300	-\$16,000
8	Transfer (to)/from Capital/Equipment Reserve	-\$925,000	-\$737,900	-\$104,000	\$0	-\$226,100	-\$353,000
9	Transfer (to)/from General Fund (Percentage of Revenue)	-\$1,295,400 14%	-\$1,347,300 14%	-\$1,362,900 14%	-\$1,278,000 13%	-\$1,290,800 13%	-\$1,203,400 12%
10	Transfer (to)/from Sewer	\$0	\$900,000	-\$56,250	-\$56,250	-\$56,250	-\$56,250
11	Total Revenue Requirements	-\$10,272,300	-\$9,912,700	-\$9,609,050	-\$10,479,150	-\$10,189,350	-\$10,287,750
Fund Balances							
12	Beginning of Year Cash Balance	\$792,000	\$15,500	\$0	\$386,250	\$0	\$0
13	Net Annual Balance	-\$776,500	-\$15,500	\$386,250	-\$386,250	\$0	\$0
14	End of Year Cash Balance	\$15,500	\$0	\$386,250	\$0	\$0	\$0
15	Cumulative Operating Reserve Balance (Number of Days)	\$188,570 15	\$209,770 15	\$374,430 30	\$578,110 45	\$661,410 50	\$681,470 50

PROPOSED CAPITAL FINANCING PLAN – WATER

Line No.	Capital Sources and Uses	2016	2017	2018	2019	2020	2021
1	Major Capital Improvements	-\$2,734,900	-\$3,522,700	-\$2,697,500	-\$2,443,000	-\$3,244,000	-\$1,795,000
2	Cash Financing of Capital	\$1,561,100	\$1,893,000	\$1,562,000	\$2,423,000	\$1,770,000	\$1,720,000
3	Net Revenue Bond Proceeds	\$0	\$0	\$1,081,600	\$0	\$1,261,800	\$0
4	Equipment Reserve Fund	\$275,000	\$250,000	\$12,000	\$20,000	\$210,000	\$75,000
5	Capital Reserve	\$898,800	\$1,379,700	\$40,000	\$0	\$0	\$0
6	Total Balance	\$0	\$0	\$0	\$0	\$0	\$0
Capital/Equipment Fund Balance							
7	Beginning of Year Balance	\$1,526,000	\$1,284,200	\$396,600	\$450,700	\$432,900	\$451,200
8	Transfers (to)/from Operating	\$925,000	\$737,900	\$104,000	\$0	\$226,100	\$353,000
9	Interest Income	\$7,000	\$4,200	\$2,100	\$2,200	\$2,200	\$3,000
10	Funding of Major Capital Improvements	-\$1,173,800	-\$1,629,700	-\$52,000	-\$20,000	-\$210,000	-\$75,000
11	End of Year Balance	\$1,284,200	\$396,600	\$450,700	\$432,900	\$451,200	\$732,200

PROPOSED OPERATING PRO FORMA - SEWER

Line No.		2016	2017	2018	2019	2020	2021
1	Revenue Under Existing Rates	\$7,523,400	\$7,392,000	\$7,465,900	\$7,540,600	\$7,616,000	\$7,692,000
2	Revenue Increase		0%	0%	0%	0%	1%
3	Total Revenue (Includes Miscellaneous Revenue)	\$7,545,200	\$7,411,400	\$7,525,000	\$7,599,800	\$7,675,100	\$7,751,200
4	Operation & Maintenance	-\$5,709,200	-\$5,606,000	-\$5,741,300	-\$5,865,300	-\$5,992,500	-\$6,122,900
5	Debt Service	\$0	\$0	-\$41,800	-\$50,200	-\$50,200	-\$50,200
6	Cash Financing of Capital	-\$301,400	-\$720,000	-\$159,200	-\$800,000	-\$800,000	-\$800,000
7	Transfer (to)/from Operating Reserve	-\$40,400	-\$900	-\$44,800	-\$46,800	-\$19,000	-\$4,500
8	Transfer (to)/from Capital/Equipment Reserve	\$0	-\$381,600	\$0	\$0	\$0	\$0
9	Transfer (to)/from General Fund (Percentage of Revenue)	-\$1,467,100 19.5%	-\$1,330,600 18%	-\$1,194,500 16%	-\$1,055,700 14%	-\$990,100 13%	-\$923,100 12%
10	Transfer (to)/from Stormwater	\$0	\$0	-\$110,000	\$0	\$0	\$0
11	Transfer (to)/from Water	\$0	\$0	\$56,250	\$56,250	\$56,250	\$56,250
12	Total Revenue Requirements	-\$7,518,100	-\$8,039,100	-\$7,235,350	-\$7,761,750	-\$7,795,550	-\$7,844,450
	Fund Balances						
13	Beginning of Year Cash Balance	\$686,600	\$713,700	\$86,000	\$375,650	\$213,700	\$93,250
14	Net Annual Balance	\$27,100	-\$627,700	\$289,650	-\$161,950	-\$120,450	-\$93,250
15	End of Year Balance	\$713,700	\$86,000	\$375,650	\$213,700	\$93,250	\$0
16	Operating Reserve Balance (Number of Days)	\$40,400 15	41,300 15	\$86,100 30	\$132,900 45	\$151,900 50	\$156,400 50

PROPOSED CAPITAL FINANCING PLAN – SEWER

Line No.	Capital Sources and Uses	2016	2017	2018	2019	2020	2021
1	Major Capital Improvements	-\$1,222,500	-\$963,700	-\$700,000	-\$800,000	-\$800,000	-\$800,000
2	Cash Financing of Capital	\$301,400	\$720,000	\$159,200	\$800,000	\$800,000	\$800,000
3	Net Revenue Bond Proceeds	\$0	\$0	\$540,800	\$0	\$0	\$0
4	Equipment Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0
5	Capital Reserve	\$871,100	\$243,700	\$0	\$0	\$0	\$0
6	Grants	\$50,000	\$0	\$0	\$0	\$0	\$0
7	Total Balance	\$0	\$0	\$0	\$0	\$0	\$0
Capital/Equipment Fund Balance							
8	Beginning of Year Balance	\$1,930,100	\$1,059,700	\$297,900	\$298,000	\$298,100	\$298,200
9	Transfers from Operating	\$0	\$381,600	\$0	\$0	\$0	\$0
10	Transfers (to)/from Water Fund	\$0	-\$900,000	\$0	\$0	\$0	\$0
11	Interest Income	\$700	\$300	\$100	\$100	\$100	\$100
12	Funding of Major Capital Improvements	-\$871,100	-\$243,700	\$0	\$0	\$0	\$0
13	End of Year Balance	\$1,059,700	\$297,900	\$298,000	\$298,100	\$298,200	\$298,300

PROPOSED OPERATING PRO FORMA - STORMWATER

Line No.		2016	2017	2018	2019	2020	2021
1	Revenue Under Existing Rates			\$0	\$1,484,400	\$1,484,400	\$1,484,400
2	Proposed Fee per ESU			\$2.90			
3	Revenue Increase				0%	0%	0%
4	Total Revenue from Charges			\$1,305,300	\$1,423,900	\$1,423,900	\$1,423,900
5	Total Revenue (Includes Miscellaneous Revenue)			\$1,314,800	\$1,433,500	\$1,433,400	\$1,433,400
6	Operation & Maintenance			-\$841,700	-\$837,700	-\$850,600	-\$864,900
7	Debt Service			\$0	\$0	\$0	\$0
8	Cash Financing of Capital			-\$460,000	-\$481,000	-\$503,100	-\$526,200
9	Transfer (to)/from Operating Reserve			-\$30,700	-\$30,500	-\$43,900	-\$3,300
10	Transfer (to)/from Capital/Equipment Reserve			-\$92,400	-\$84,300	-\$35,800	-\$39,000
11	Transfer(to)/from Sewer			\$110,000	\$0	\$0	\$0
12	Total Revenue Requirements			-\$1,314,800	-\$1,433,500	-\$1,433,400	-\$1,433,400
Fund Balances							
13	Beginning of Year Cash Balance			\$0	\$0	\$0	\$0
14	Net Annual Balance			\$0	\$0	\$0	\$0
15	End of Year Balance			\$0	\$0	\$0	\$0
16	Operating Reserve Balance (Number of Days)			\$30,700 15	\$61,200 30	\$105,100 50	\$108,400 50

PROPOSED CAPITAL FINANCING PLAN – STORMWATER

Line No.	Capital Sources and Uses	2016	2017	2018	2019	2020	2021
1	Major Capital Improvements			-\$460,000	-\$481,000	-\$503,100	-\$526,200
2	Cash Financing of Capital			\$460,000	\$481,000	\$503,100	\$526,200
3	Equipment Reserve Fund			\$0	\$0	\$0	\$0
4	Capital Reserve			\$0	\$0	\$0	\$0
5	Total Balance			\$0	\$0	\$0	\$0
Capital/Equipment Fund Balance							
6	Beginning of Year Balance			\$0	\$92,400	\$176,800	\$212,700
7	Transfers from Operating			\$92,400	\$84,300	\$35,800	\$39,000
8	Interest Income			\$0	\$100	\$100	\$100
9	Funding of Major Capital Improvements			\$0	\$0	\$0	\$0
10	End of Year Balance			\$92,400	\$176,800	\$212,700	\$251,800

Stormwater Rate

Stormwater Rate Structure

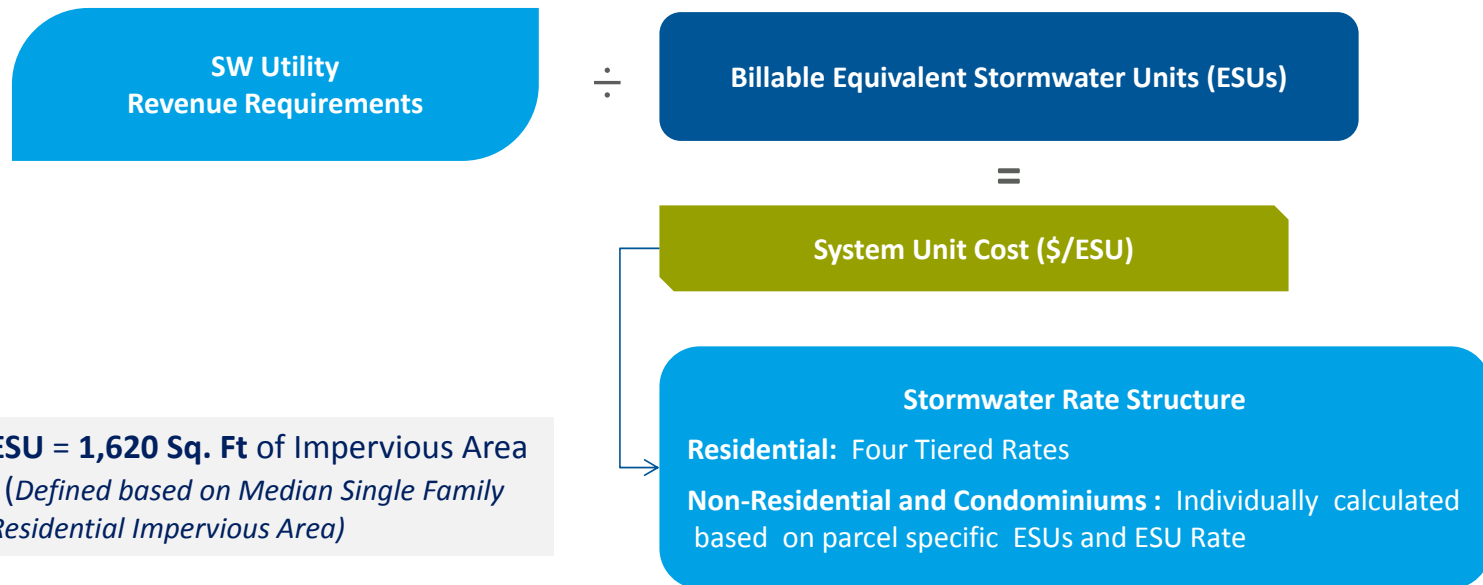
Credits, Discounts, Exemptions

One-time Implementation Cost

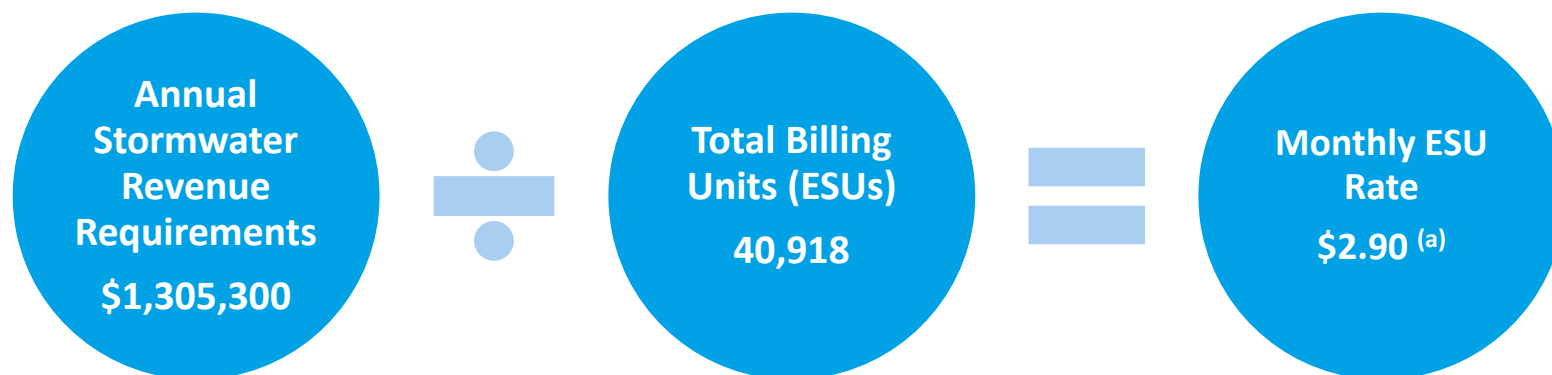
EQUIVALENT STORMWATER UNIT & RATE STRUCTURE

Key Steps Involved Are:

- Determine the value of Equivalent Stormwater Unit (ESU)
- Translate Billable Impervious Area to ESUs
- Compute System-Wide ESU Rate



ESU = 1,620 Sq. Ft of Impervious Area
(Defined based on Median Single Family Residential Impervious Area)



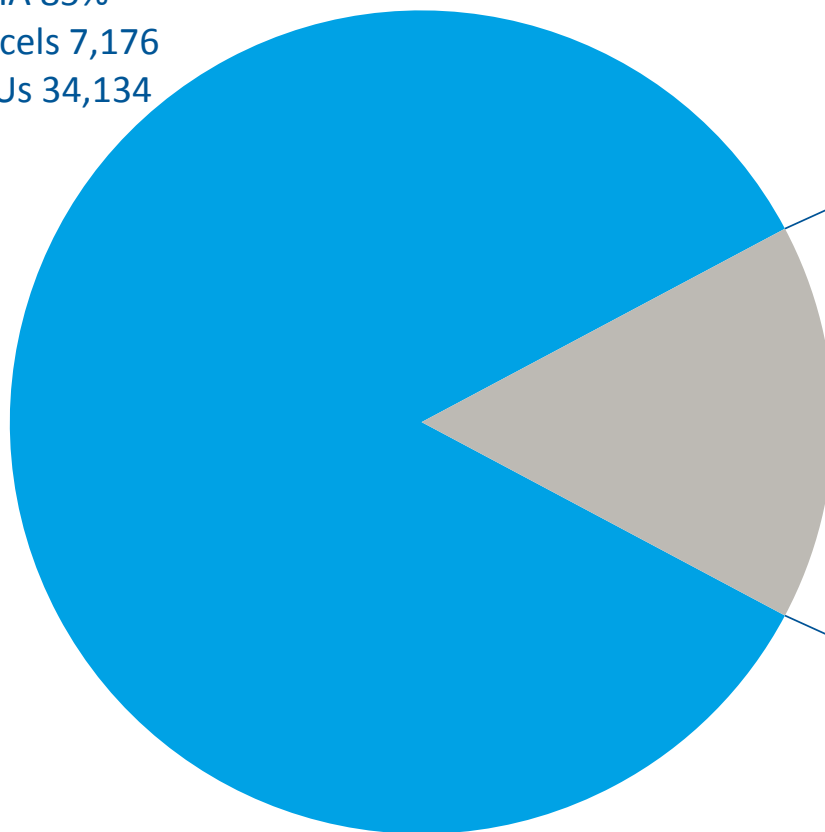
(a) Assumes 11 months of revenue in 2018



Distribution of Billing Units

- Impervious Area
- Parcels
- ESUs

Non-Residential:
IA 85%
Parcels 7,176
ESUs 34,134



Residential:
IA 15%
Parcels 1,039
ESUs 6,784

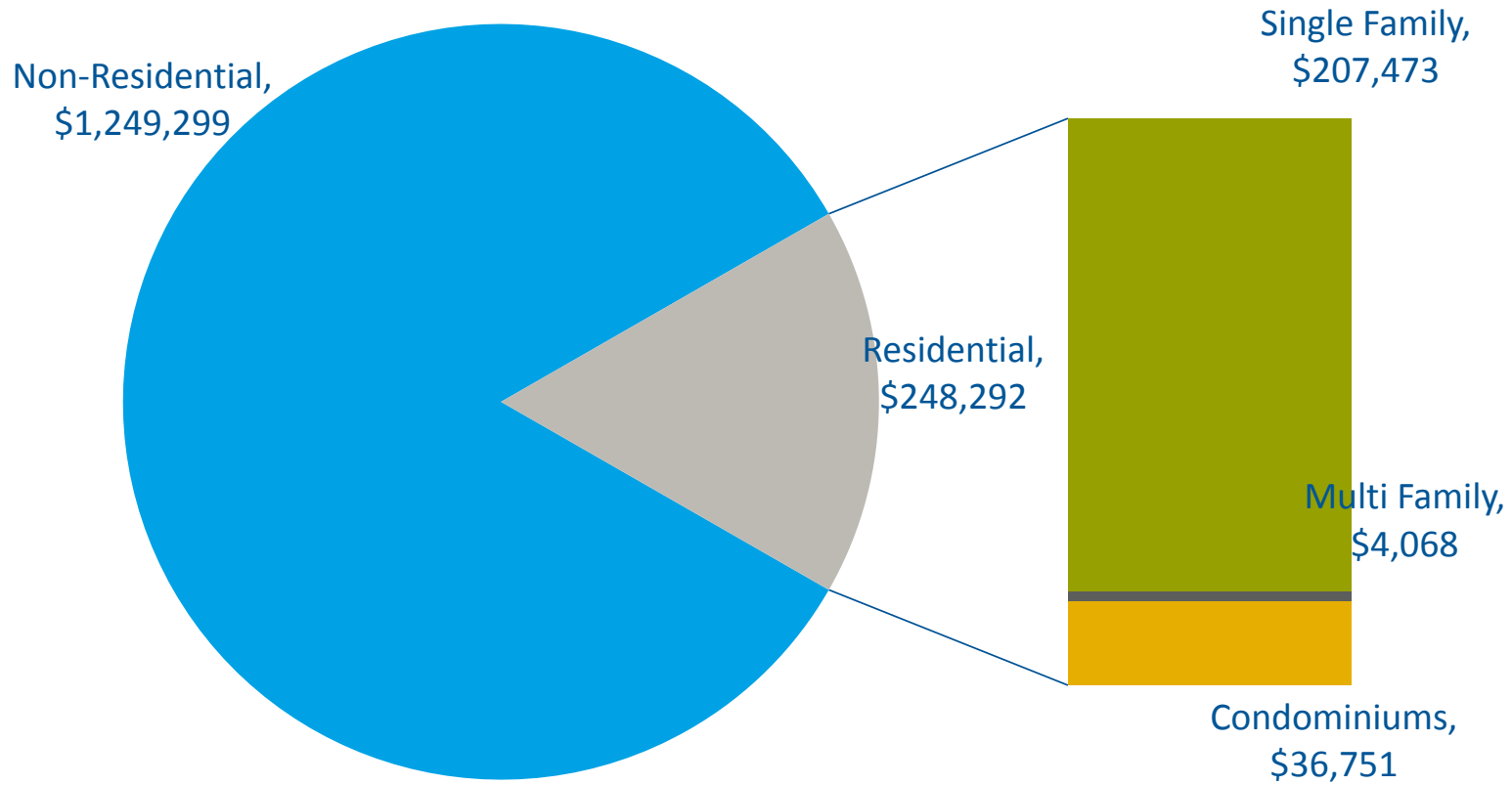
Single Family:
IA 13%
Parcels 5,986
ESUs 5,669

Multi Family:
IA 0%
Parcels 133
ESUs 111

Condominiums:
IA 2%
Parcels 18
ESUs 1,004



Distribution of Stormwater Revenue



PROPOSED STORMWATER USER FEES

RESIDENTIAL CHARGE

NON-RESIDENTIAL CHARGE

CONDOMINIUM CHARGE

RESIDENTIAL CHARGES

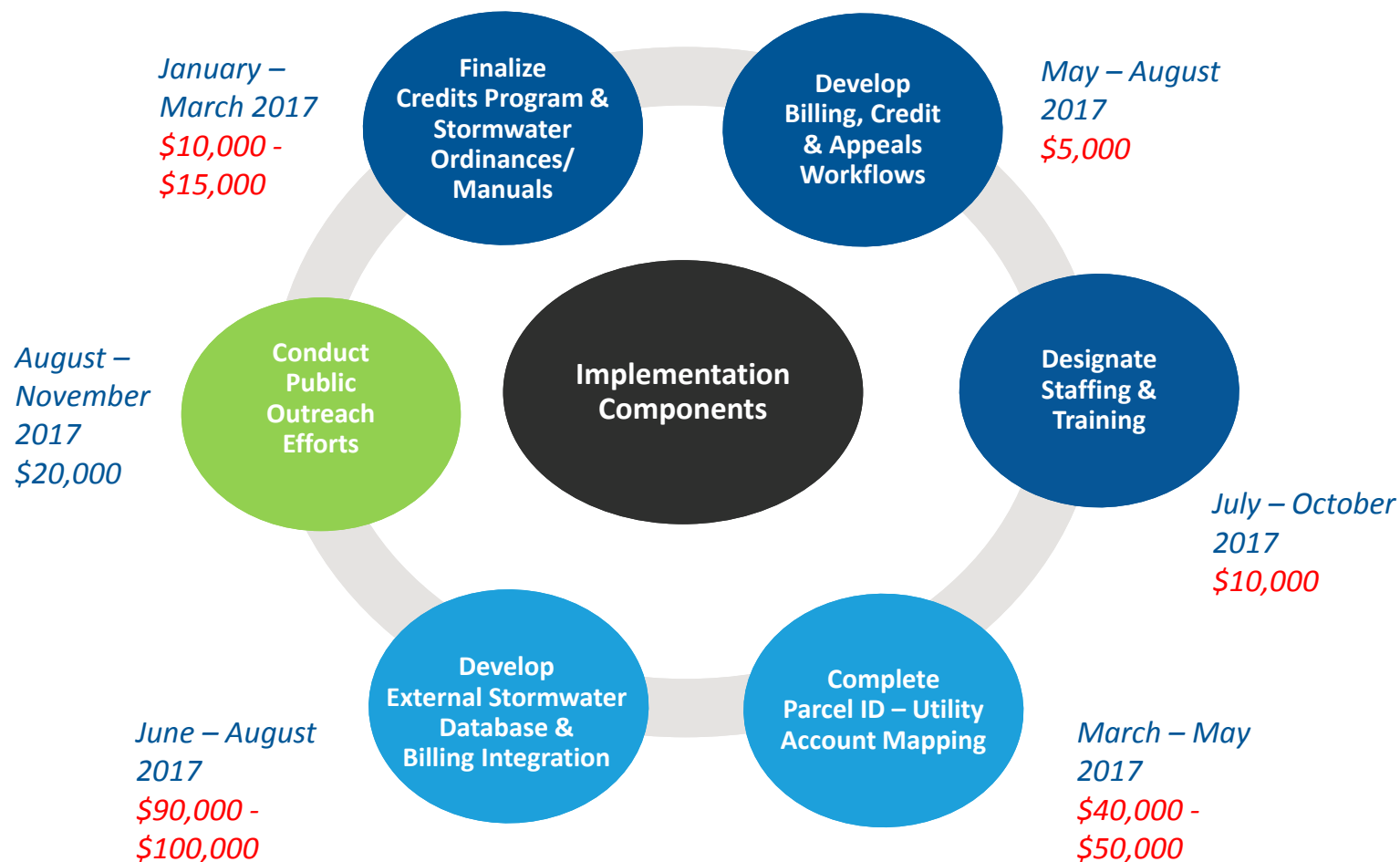
Tier	Impervious Area	ESUs	Monthly SW Fee	Parcel Count	% of Total
Tier 1	0 – 1,289 sq ft	0.60	\$1.74	1,876	31%
Tier 2	1,290 – 1,950 sq ft	1.00	\$2.90	2,513	41%
Tier 3	1,951 – 2,610 sq ft	1.30	\$3.77	1,341	22%
Tier 4	2,611 + sq ft	1.80	\$5.22	389	6%

NON-RESIDENTIAL AND CONDOMINIUM - EXAMPLE CHARGES

	Non-Residential	Condos
Gross Parcel Area	5,000 Sq. Ft.	61,420 Sq. Ft.
Impervious Area	$0.95 \times 5,000 = 4,750$ Sq. Ft.	$0.97 \times 61,420 = 59,964$ Sq. Ft.
Calculated ESUs	$4,750 / 1,620 = 2.93$	$59,694 / 1,620 = 36.85$
Monthly SW Fee	$2.93 \times \$2.90 = \8.94	$36.85 \times \$2.90 = \106.87



CRITICAL TASK COMPLETION NEEDED FOR A JANUARY 1, 2018 LAUNCH



Implementation Framework

The framework helps:

- Define an actionable roadmap
- Execute per plan
- Conduct adequate customer outreach
- Assure well trained staff and system readiness

Total implementation cost estimate: **\$175,000 to \$200,000**



Criticality of Technology and Implementation

Develop External Stormwater Database & Billing Integration

External Stormwater Database Functions

- General parcel change exceptions
- Programmatically update parcel classifications
- Programmatically calculate ESU and tier determinations
- Document, process and track credits and appeals
- Programmatically update stormwater charge
- Generate customer stormwater charge factsheet with details
- Generate monthly billing data transfer file to send to the utility billing system
- Generate management activity report

Complete Parcel ID – Utility Account Mapping

Parcel ID Mapping

- Programmatically map Parcel ID to Meter Accounts through address match
- Determine parcels and meters with no match
- Perform field investigation of the no-match exceptions
- Determine “Stormwater Only” parcels
- Programmatically create Stormwater Only accounts in the Water/Sewer Billing System
- Conduct “Test Runs” of stormwater billing



Water/Sewer/Stormwater Path Forward – Council Action

▶ Council action required:

- ▶ Support for a separate stormwater utility now (terms and rates determined in 2017)
 - ▶ Stormwater utility fee (once rates and terms determined) becomes effective in 2018
 - ▶ Support water increase of 2%
 - ▶ Support debt financing of CIP
 - ▶ If a stormwater utility **is not approved**, stormwater expenses will be budgeted in and funded by the Sewer Fund in 2017 onward and efforts to develop an equitable program will halt.
 - ▶ Sewer fee will need to be adjusted in 2017 accordingly
- ▶ City staff and Black & Veatch will present by April 2017, the water, sewer and stormwater schedules for 2018 and 2019

Discussion

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