



**TOWN BOARD
WORK SESSION**

**April 2, 2018 // 6:00 p.m. // First floor conference room
301 Walnut Street, Windsor, CO 80550**

GOAL of this Work Session is to have the Town Board receive information on topics of Town business from the Town Manager, Town Attorney and Town staff in order to exchange ideas and opinions regarding these topics.

Members of the Public in attendance are asked to be recognized by the Mayor before participating in any discussions of the Town Board

AGENDA

1. Water Rate Study – D. Moyer
2. Future Meetings Agenda



MEMORANDUM

Date: April 2, 2018
To: Mayor and Town Board
From: Dean Moyer, Director of Finance
Re: Water Rate Study
Item #: WKS - 1

Background / Discussion

We have spent the past year studying our water rates and impact fees related to how we can pay for our portion of the NISP. Additionally, we have been discussing the construction of a regional water treatment plant. Currently our portion of the cost of NISP construction and conveyance stand at \$90.9M. The estimated cost of the treatment plant is at \$25M. We have contracted with Stantec consulting to assist with funding scenarios. Ron Lay of Stantec will be at your meeting to present the enclosed materials. I want to thank our team in advance for the tremendous amount of work to get us to this point.

The question at hand is which party should bear the cost of this project. We have developed a number of scenarios that we will cover today. We tried to find a balance between existing customers and new construction to bear the cost. We also tried to keep the level of debt to a minimum. I would like to leave this meeting today with a recommendation from you as to how you feel we should proceed.

Financial Impact

If we do all the proposed work the impact would be \$141.7M over ten years.

Relationship to Strategic Plan

Provide an adequate water supply.

Recommendation

We have studied financing NISP as a group through Northern Water. This is our first look at what this means to us internally. We met with the water and sewer board on March 21. The consensus was that growth should pay for itself but the board understands that rate users will need to pay too. The Board also felt that instead of just a "NISP Fee" that we should call it a "Water Resource Fee" that would be used for any project of this type. I recommend that we follow scenario #1 but we did provide other options.

Attachments

Power point presentation



Town of Windsor, CO

Water Rate Study

A close-up photograph of dark blue water with fine ripples and small waves, creating a textured surface. The lighting is dramatic, highlighting the crests of the waves.

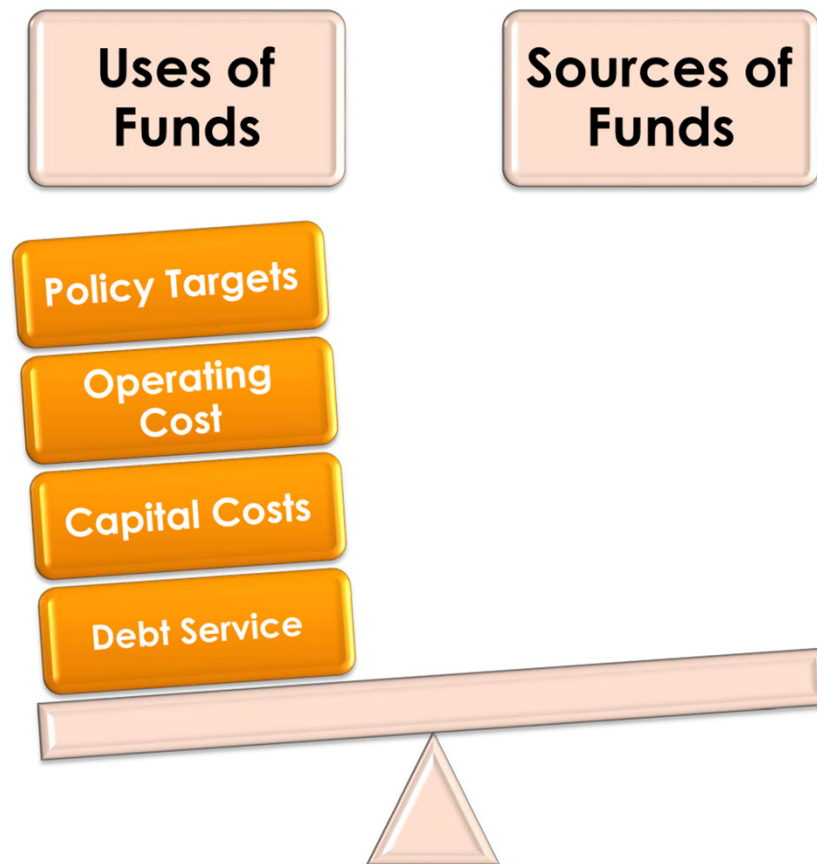
Agenda

1. Overview
2. Water Fund Scenarios

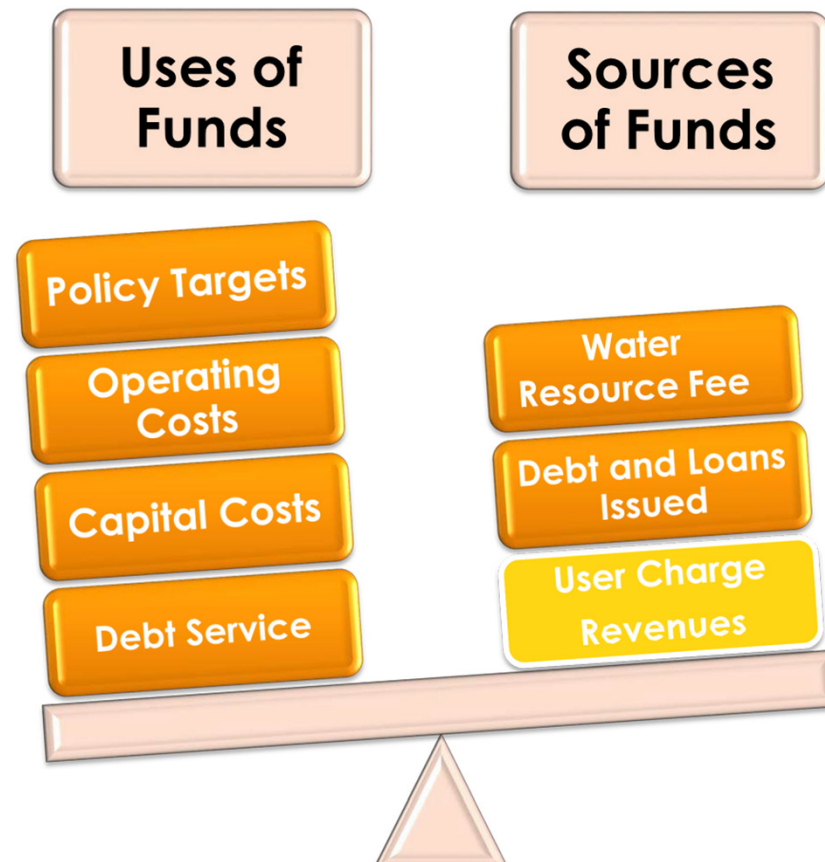
A close-up, low-angle shot of dark blue ocean waves with white foam, creating a textured and dynamic background. The lighting is dramatic, highlighting the crests of the waves.

Utility Overview

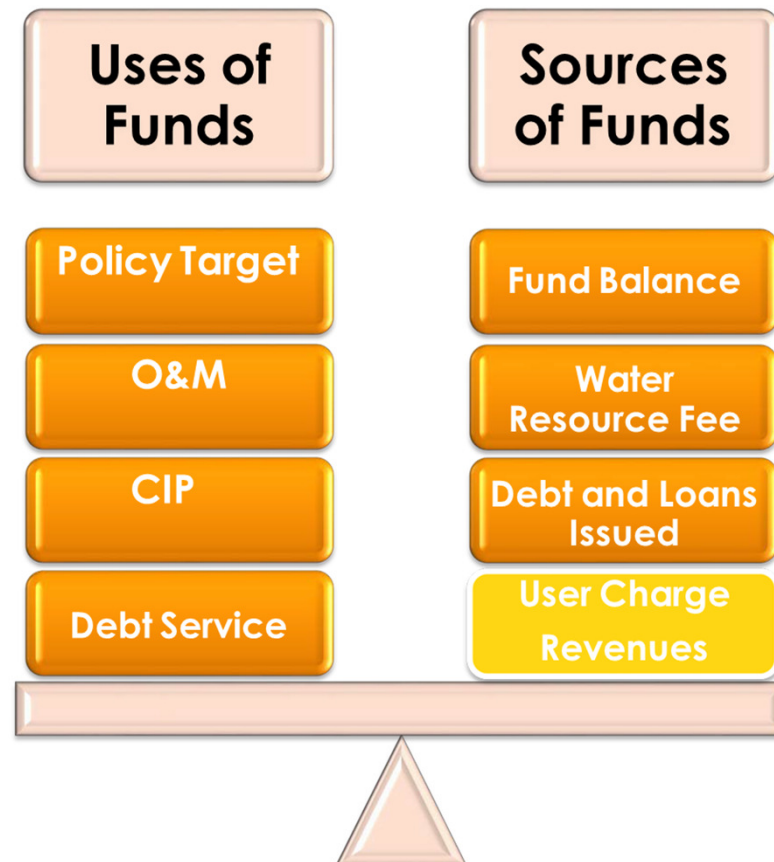
Utility's financial plans balance sources and uses of cash



Primary purpose is to determine the level of user charges needed



When we balance the plan we can show future costs, rates, and impacts from policies



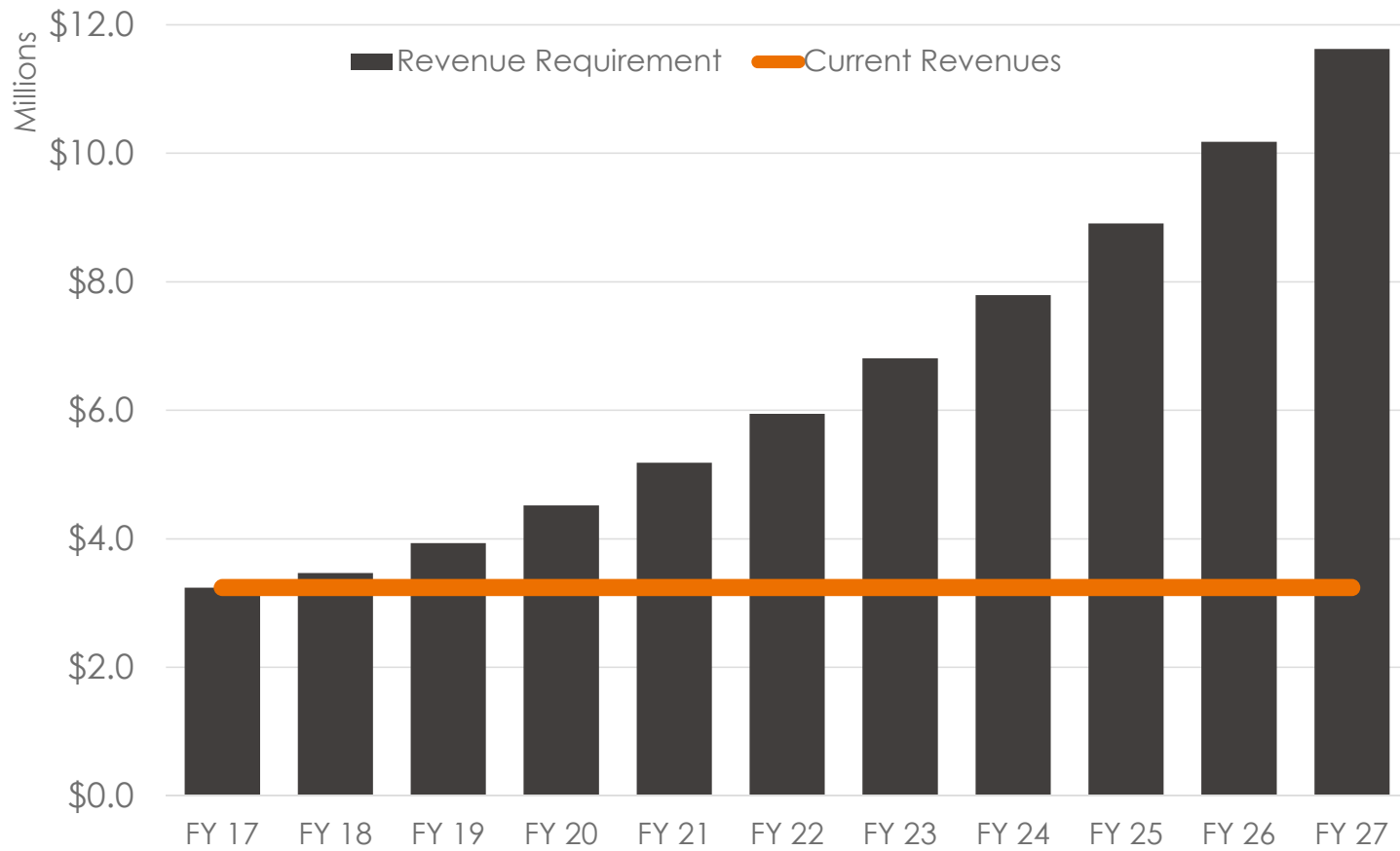
Utility's Assumptions

- Capital Expenses
 - \$90.9M Water Resource Project expense occurring 2018-2027
 - Average of \$2.3M non-water resource CIP annually
 - \$25M Water Treatment Plant planned for 2027
- Water cost procured through NWCWD, FCLWD, and Greeley is escalated at 3.0%, 2.3% and 4.0% respectively.
- Expenses escalate at 3%, unless otherwise noted
- Growth estimates consistent with economic development reports (both platted and non-platted)
 - 100% Growth = 261 lots through FY 2019 and 441 lots through FY 2027
 - 75% Growth = 196 lots through FY 2019 and 331 lots through FY 2027

Utility's Financial Goals

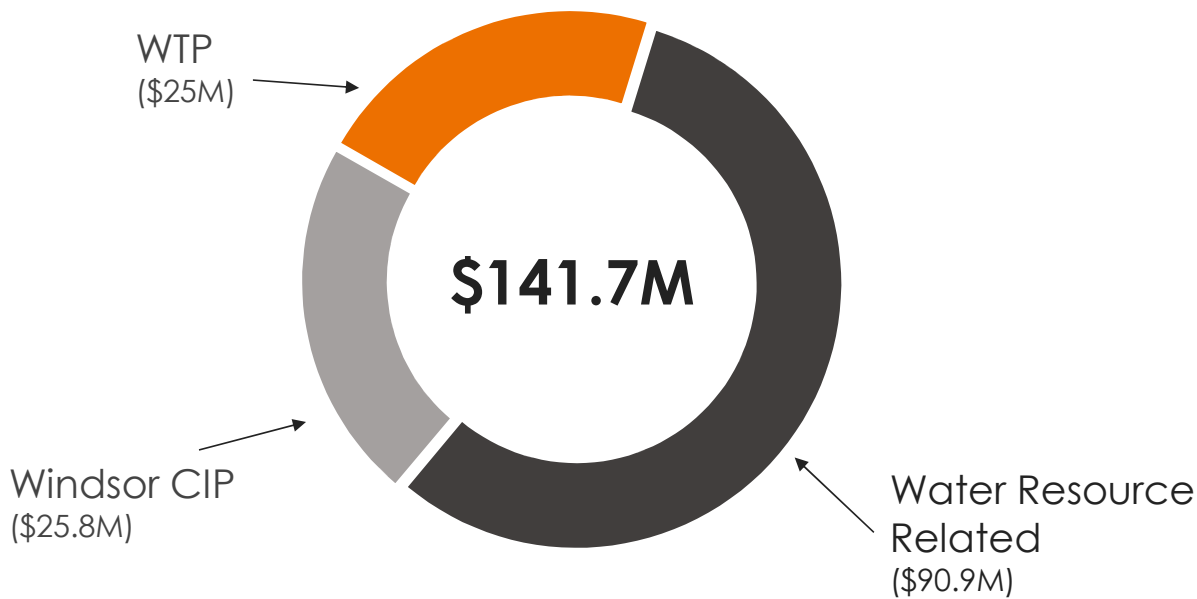
- Maintain combined debt service coverage at target level
- Maintain adequate reserve requirements
 - Water – 90 days cash on hand to maintain bond ratings
- Balance rate impacts (both user rates and development fees)
- Adequately fund future treatment and water resource needs

Revenue Requirements



Capital Improvement Projects Breakdown

Total Project Needs 2017-2027



Major Projects Include...

Windsor CIP

- Water Lines (\$6M)
- System Improvements (\$19.7M)

Water Resource Related Costs

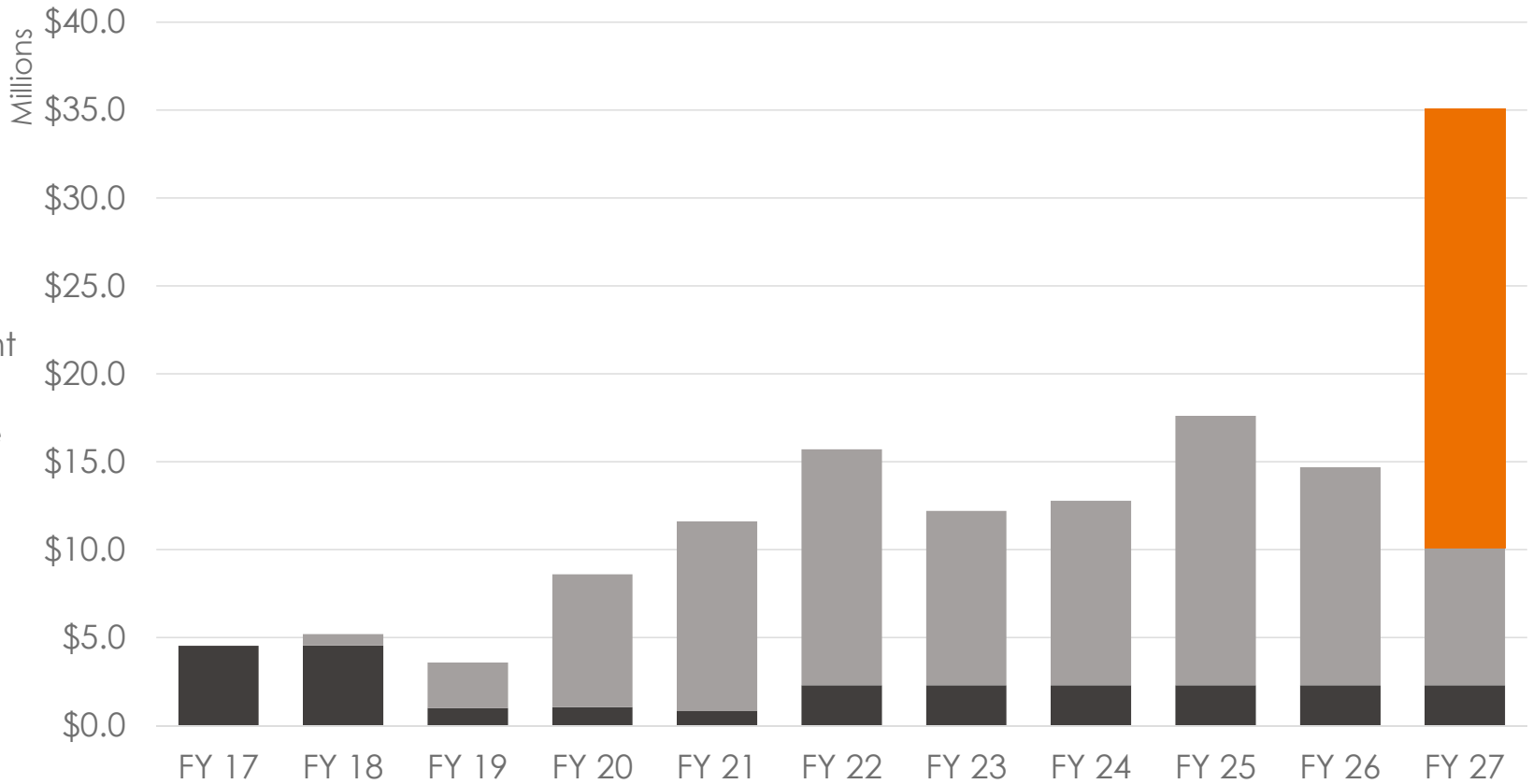
- Water Resource project costs (\$87.2M)
- Conveyance Cost (\$3.7M)

Water Treatment

- Water Treatment Plant (WTP) (\$25M)

Capital Improvement Projects By Function

- Water Treatment Plant
- Water Resource Related
- Windsor CIP





Scenarios

Water Financial Plan

Water Scenario Summary

Scenario	Growth ²	Annual Rate Increase ¹	Additional Water Resource Fee
1	100%	5.00%	\$16,400
1a	75%	5.00%	\$29,500
2	100%	7.50%	\$15,150
2a	75%	7.50%	\$21,750
3	100%	10.00%	\$14,150
3a	75%	10.00%	\$19,750

¹ 5% rate increase in all scenarios for FY 2018.

² Only scenarios with 100% growth include the \$25M WTP in FY2027

Water Financial Plan

Scenario 1

Scenario 1	FY '17	FY '18	FY '19	FY '20	FY '21	FY '22	FY '23	FY '24	FY '25	FY '26	FY '27	Cumulative
Rate Increase	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	62.60%
Debt Issuance (\$M)	-	-	-	-	-	-	5.324	-	13.147	-	0.770	19.241
DSC Coverage	2.79	2.26	2.78	3.54	4.33	5.07	3.56	3.69	1.94	1.93	2.01	
Operations Fund Balance (\$M)	5.855	4.057	3.491	3.171	3.388	3.378	3.375	3.643	3.075	2.636	1.683	

Assumptions:

- Growth at 100%
- WTP in FY '27 for \$25M
- Additional Water Resource Fee: \$16,400

Water Financial Plan

Scenario 1a

Scenario 1a	FY '17	FY '18	FY '19	FY '20	FY '21	FY '22	FY '23	FY '24	FY '25	FY '26	FY '27	Cumulative
Rate Increase	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	62.60%
Debt Issuance (\$M)	-	-	-	-	-	-	5.324	-	13.147	-	0.770	19.241
DSC Coverage	2.80	2.26	2.75	3.46	4.23	4.94	3.43	3.52	1.82	1.79	1.95	
Operations Fund Balance (\$M)	5.857	4.059	3.482	3.128	3.297	3.226	3.128	3.260	2.506	1.822	1.388	

Assumptions:

- Growth at 75%
- Additional Water Resource Fee: \$29,500

Water Financial Plan

Scenario 2

Scenario 2	FY '17	FY '18	FY '19	FY '20	FY '21	FY '22	FY '23	FY '24	FY '25	FY '26	FY '27	Cumulative
Rate Increase	0.0%	5.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	101.33%
Debt Issuance (\$M)	-	-	-	-	-	12.785	6.456	-	-	-	-	19.241
DSC Coverage	2.79	2.25	2.97	3.97	5.06	2.52	2.09	2.33	2.39	2.74	3.09	
Operations Fund Balance (\$M)	5.854	4.053	3.571	3.444	3.989	3.890	3.851	4.314	4.827	1.847	1.551	

Assumptions:

- Growth at 100%
- WTP in FY '27 for \$25M
- Additional Water Resource Fee: \$15,150

Water Financial Plan

Scenario 2a

Scenario 2a	FY '17	FY '18	FY '19	FY '20	FY '21	FY '22	FY '23	FY '24	FY '25	FY '26	FY '27	Cumulative
Rate Increase	0.0%	5.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	101.33%
Debt Issuance (\$M)	-	-	-	-	-	-	10.503	-	8.738	-	-	19.241
DSC Coverage	2.79	2.22	2.87	3.75	4.7	5.63	2.89	2.98	2.23	2.37	2.75	
Operations Fund Balance (\$M)	5.853	4.038	3.513	3.288	3.669	3.581	1.077	1.486	1.525	1.939	2.975	

Assumptions:

- Growth at 75%
- Additional Water Resource Fee: \$21,750

Water Financial Plan

Scenario 3

Scenario 3	FY '17	FY '18	FY '19	FY '20	FY '21	FY '22	FY '23	FY '24	FY '25	FY '26	FY '27	Cumulative
Rate Increase	0.0%	5.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	147.70%
Debt Issuance (\$M)	-	-	-	-	-	-	19.241	-	-	-	-	19.241
DSC Coverage	2.79	2.25	3.16	4.41	5.84	7.37	2.78	2.89	3.2	3.80	4.45	
Operations Fund Balance (\$M)	5.853	4.049	3.653	3.727	4.623	1.039	1.805	3.285	5.269	4.958	6.700	

Assumptions:

- Growth at 100%
- WTP in FY '27 for \$25M
- Additional Water Resource Fee: \$14,150

Water Financial Plan

Scenario 3a

Scenario 3a	FY '17	FY '18	FY '19	FY '20	FY '21	FY '22	FY '23	FY '24	FY '25	FY '26	FY '27	Cumulative
Rate Increase	0.0%	5.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	147.70%
Debt Issuance (\$M)	-	-	-	7.387	10.635	1.219	-	-	-	-	-	19.241
DSC Coverage	2.79	2.21	3.05	2.25	1.69	1.86	2.19	2.61	2.79	3.29	3.9	
Operations Fund Balance (\$M)	5.853	4.033	3.588	3.196	2.986	2.691	2.954	3.930	5.165	1.330	2.967	

Assumptions:

- Growth at 75%
- Additional Water Resource Fee: \$19,750

Water Financial Plan

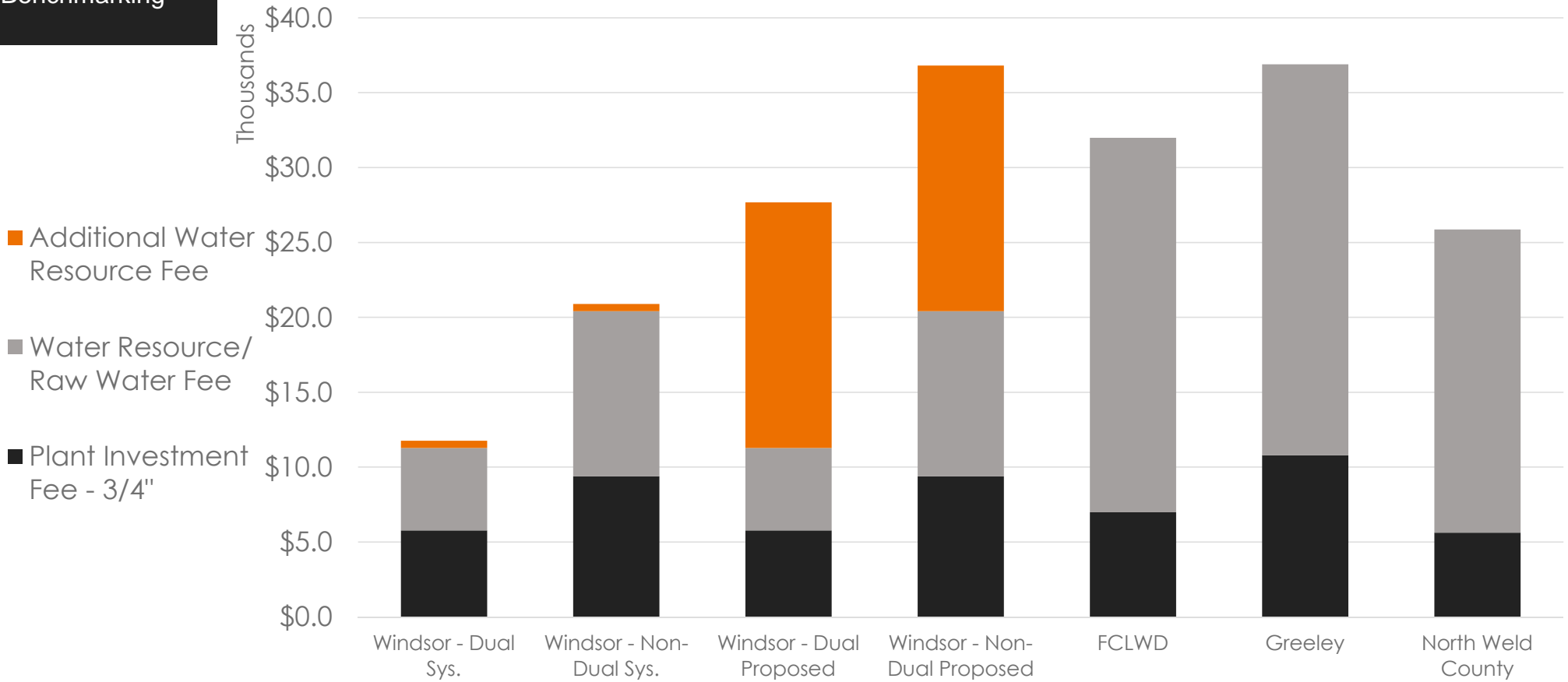
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'All-In' Rates including Windsor and Current Water Providers





 Questions?



FUTURE TOWN BOARD MEETINGS

April 9, 2018 5:30 p.m. /1 st floor conference room	Board/Manager/Attorney Monthly Meeting
April 9, 2018 7:00 p.m.	Town Board Meeting
April 16, 2018 6:00 p.m.	Town Board Work Session Water options for Windsor presentation
April 23, 2018 5:30 p.m.	Town Board Work Session Board dinner with incoming board members
April 23, 2018 7:00 p.m.	Town Board Meeting
May 7, 2018 6:00 p.m.	Town Board Work Session Retail study overview
May 14, 2018 5:30 p.m. /1 st floor conference room	Board/Manager/Attorney Monthly Meeting
May 14, 2018 7:00 p.m.	Town Board Meeting Kern Board Meeting
May 21, 2018 6:00 p.m.	Town Board Work Session Broadband Update
May 28, 2018 7:00 p.m.	Town Board Meeting - Cancelled Memorial Day – Offices Closed

Additional Events

April 4, 2018	Larimer County Regional Meeting – Timnath
May 22, 2018	Tornado Anniversary Event
May 24, 2018	CML Spring Outreach Meeting – Windsor
May 24-25, 2018	Strategic Planning
June 19-22, 2018	CML Annual Conference - Vail

Future Work Session Topics

- Code Update meeting with Planning Commission (next code section in series) - Planning
- CDOT/Johnny Olson presentation
- Car Dealerships in CAC (Mr. Downing)
- Park Impact Fees – round 2
- Brush site options