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Water Utility Financing Proposal:

Recommendations on How to Carry Out Direction from City Council
(Appendix Slides)

City Council Presentation

February 5, 2013



Overview

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- Six Borrowing Scenarios
- Feedback from November 27, 2012 City Council Study Session
- External Financing Options

Common Elements In All Scenarios

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- All fully fund Staff-recommended projects at Water Treatment Plant
- All loan proceeds would be available in 2013

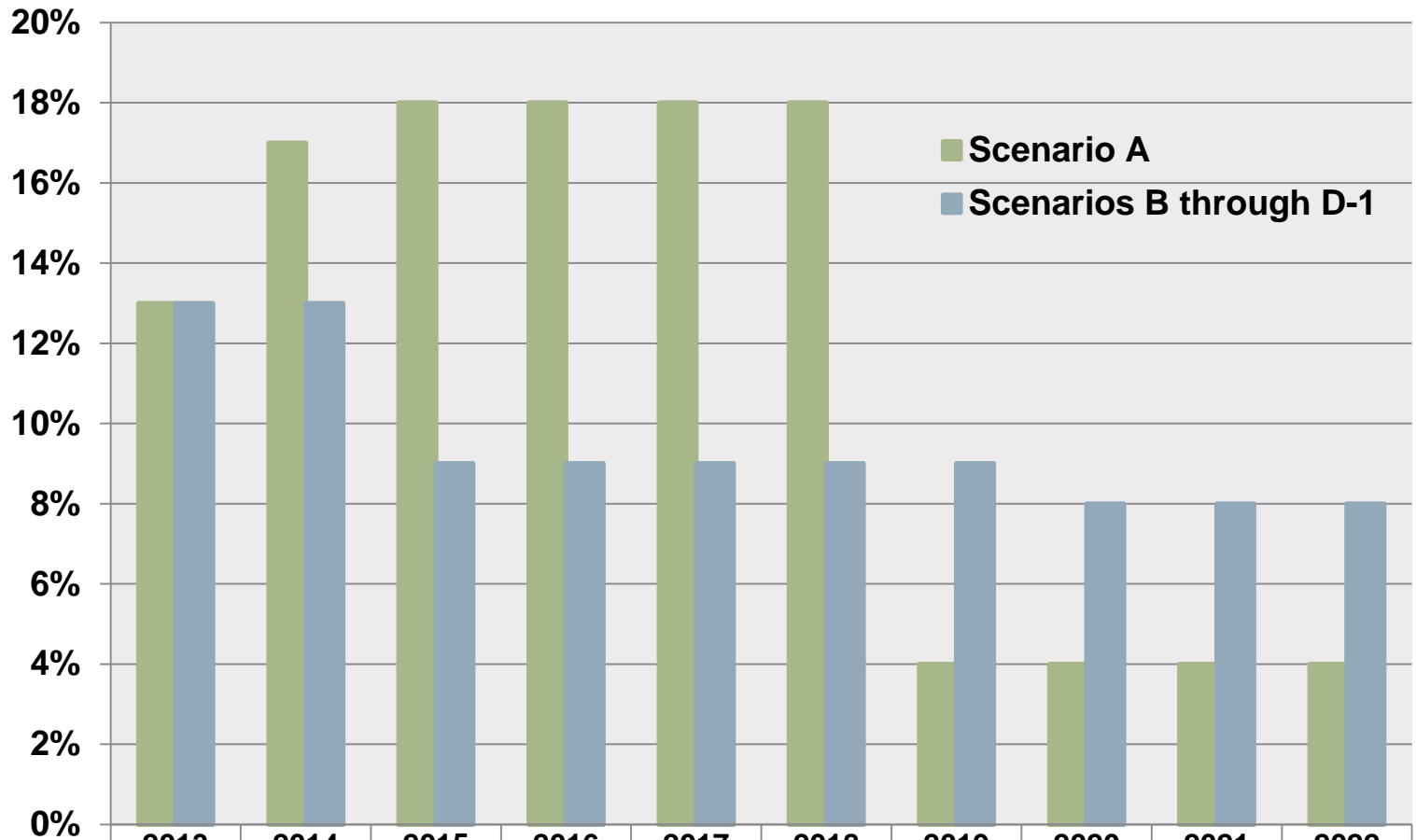
Key Differences Between the Scenarios

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- Series of rate increases
- Level of funding for water line replacements
- Transfer of Water Sales to Raw Water Fund
- General Fund contributions
- Annual debt service

Projected Annual Water Rate Increases 2013-2022

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Scenario A	13%	17%	18%	18%	18%	18%	4%	4%	4%	4%
Scenarios B through D-1	13%	13%	9%	9%	9%	9%	9%	8%	8%	8%

Debt Service Comparison

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Scenario	Loan Amount	Loan Type	Interest Rate	Annual Debt Service	Total Interest Payments
A	\$16M	30 Year External Loan	3.4% (fixed)	\$820K	\$9.0M
B	\$12M	20 Year External Loan	3.05% (fixed)	\$800K	\$4.0M
B-1	\$12M	10 Year External Loan	1.55% (fixed)	\$1.5M	\$1.2M
C	\$10M	10 Year Internal Loan	1.7% (variable)	\$1.1M	\$1.0M (assuming 1.7%)
D	\$10M – 20 Yr External \$6M – 8 Yr Internal (from non-utility funds)		3.05% (fixed) 1.5%-4.0% (variable)	+ \$675K <u>\$843K</u> \$1.5M	\$4.1M
D-1	\$10M – 20 Yr External \$6M – 8 Yr Internal (from Power fund)		3.05% (fixed) 1.5%-4.0% (variable)	+ \$675K <u>\$843K</u> \$1.5M	\$4.1M

NOTE: Scenarios D and D-1 require General Fund contribution

Level of Funding Provided

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Scenario	Loan Amount	Loan Type	WTP	Line Replacements	% of Line Replacements	First Year of Line Replacements
A	\$16M	30 Year External Loan	Fully Funded (\$27.4M)	Fully Funded (\$23.5M)	100%	2013
B	\$12M	20 Year External Loan	Fully Funded (\$27.4M)	\$12.8M	54%	2013
B-1	\$12M	10 Year External Loan	Fully Funded (\$27.4M)	\$6.5M	28%	2020
C	\$10M	10 Year Internal Loan	Fully Funded (\$27.4M)	\$7.9M	34%	2020
D	\$10M – 20 Yr External \$6M – 8 Yr Internal (from non-utility funds)		Fully Funded (\$27.4M)	\$17.5M	74%	2013
D-1	\$10M – 20 Yr External \$6M – 8 Yr Internal (from Power fund)		Fully Funded (\$27.4M)	\$17.5M	74%	2013

Scenario **A**

Pros and Cons of \$16M, 30 Yr External Loan

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PROS

- A. Provides full funding of \$23.5M for line replacements.
- B. Continues transfer of portion of Water Sales to Raw Water Fund.
- C. No depletion of General Fund dollars.
- D. Promotes intergenerational equity.

CONS

- A. Higher rate increases.
- B. Longest repayment period.
- C. Additional financial requirements

Scenario **B**

Pros and Cons of \$12M, 20 Yr External Loan

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PROS

- A. Provides \$12.8M of funding for line replacements.
- B. Lower rate increases.
- C. No depletion of General Fund dollars.
- D. Promotes intergenerational equity.

CONS

- A. Longer repayment period.
- B. Additional financial requirements.

Scenario **B-1**

Pros and Cons of \$12M, 10 Yr External Loan

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PROS

- A. Shorter repayment period.
- B. Lower rate increases.
- C. No depletion of General Fund dollars.
- D. Promotes intergenerational equity.

CONS

- A. No funding for line replacements until 2020.
- B. Lowest total funding of line replacements in any of the scenarios.

Scenario **C**

Pros and Cons of \$10M, 10 Yr Internal Loan

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PROS

- A. Shorter repayment period.
- B. Lower rate increases.
- C. No additional financial requirements.
- D. Loan interest is paid to the City.

CONS

- A. No funding for line replacements until 2020.
- B. Less funds for other City needs.
- C. Variable interest rate

Scenario **D**

Pros and Cons of \$10M External and \$6M Internal Loan from Non-Utility Funds

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PROS

- A. Provides \$17.5M of funding for line replacements.
- B. Lower rate increases.
- C. Promotes intergenerational equity.

CONS

- A. Loss of Enterprise Fund status for one year.
- B. Change in City's spending base under TABOR.
- C. Depletion of General Fund dollars.
- D. Longer repayment period.
- E. Additional financial requirements.

Scenario **D-1**

Pros and Cons of \$10M External and \$6M Internal Loan from Power Fund

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PROS

- A. Provides \$17.5M of funding for line replacements.
- B. Lower rate increases.
- C. No loss of Enterprise Fund status.
- D. Promotes intergenerational equity.

CONS

- A. Depletion of General Fund dollars.
- B. Longer repayment period.
- C. Additional financial requirements.

Feedback From November 27, 2012 City Council Study Session

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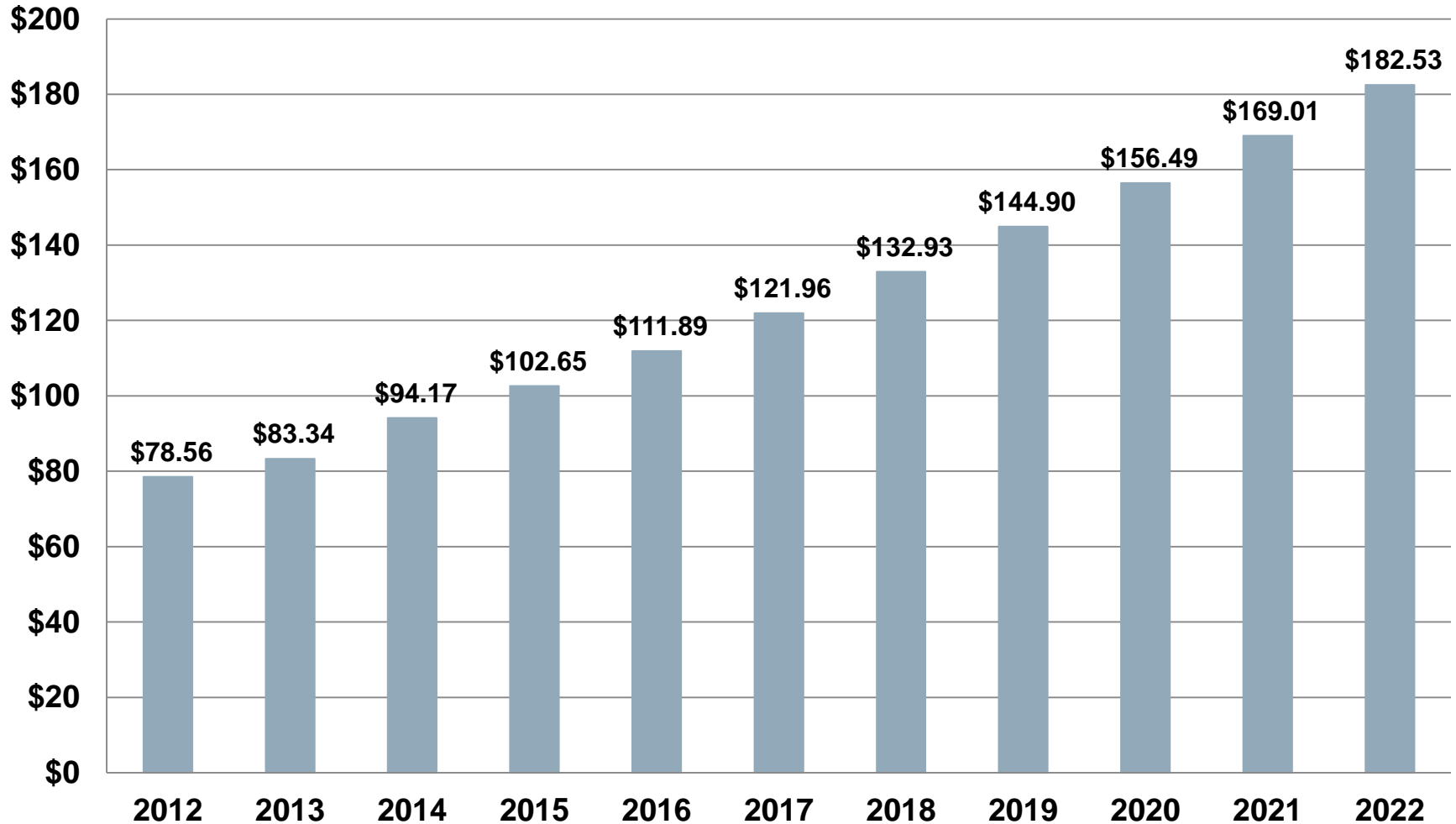
- Consensus indication for Scenario D
- Some support for Scenario A
- Some support for Scenario B
- No support for Scenario C

External Financing Options

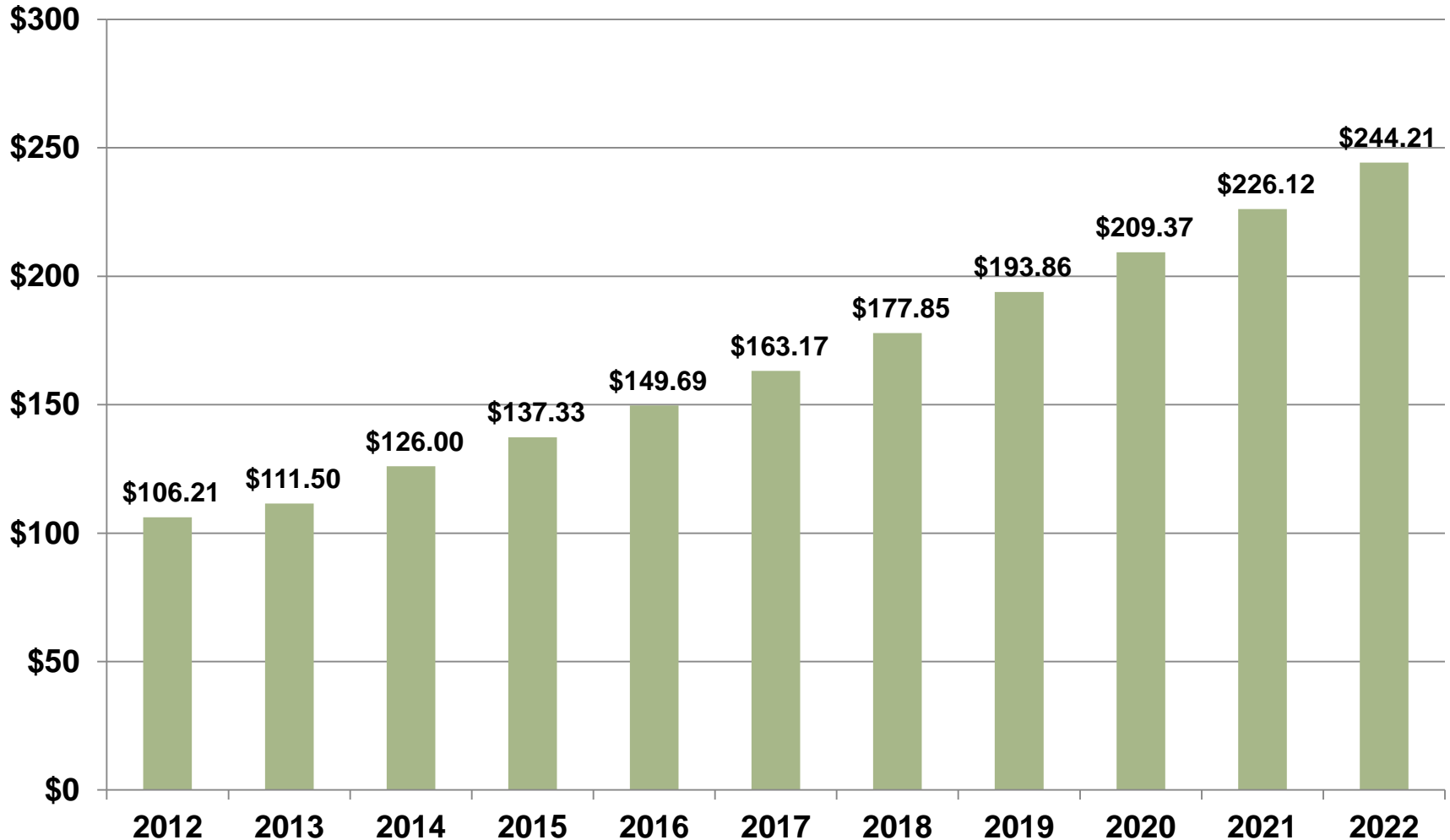
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1. Bank Loan
2. Colorado Water Resources and Power Development Authority
3. Water Utility Bonding

Projected Average Monthly Commercial Water Bill 2012-2022 (41,630 gallons per month) – Based on Current Series of Rate Increases



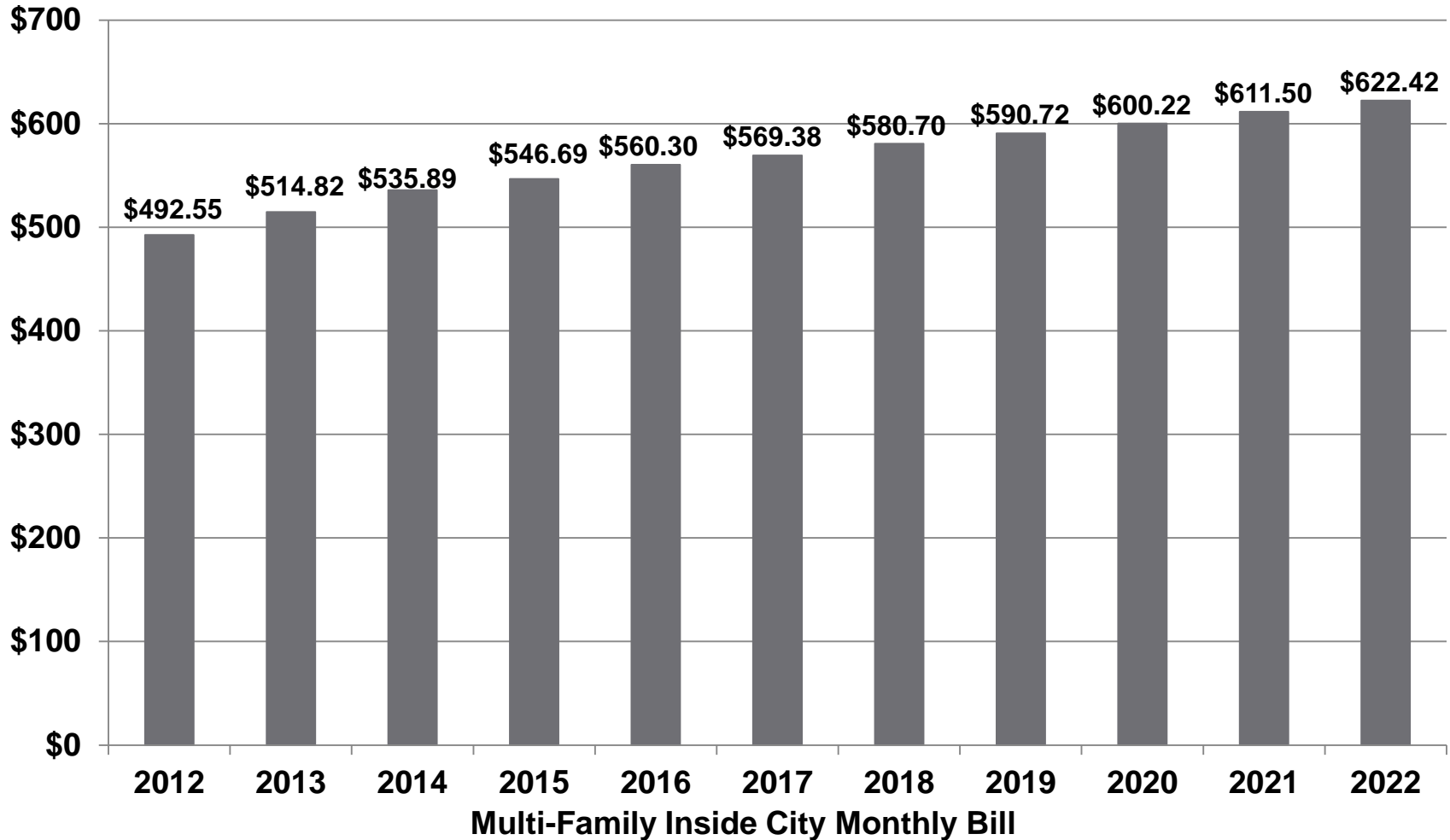
Projected Average Monthly Irrigation Water Bill 2012-2022 (46,700 gallons per month) – Based on Current Series of Rate Increases



Projection of Customer's Total Monthly Utility Bill 2012-2022

Multi-Family Inside City

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*Based on an average sized Multi-Family complex of 5.83 dwelling units

Projection of Customer's Total Monthly Utility Bill 2012-2022

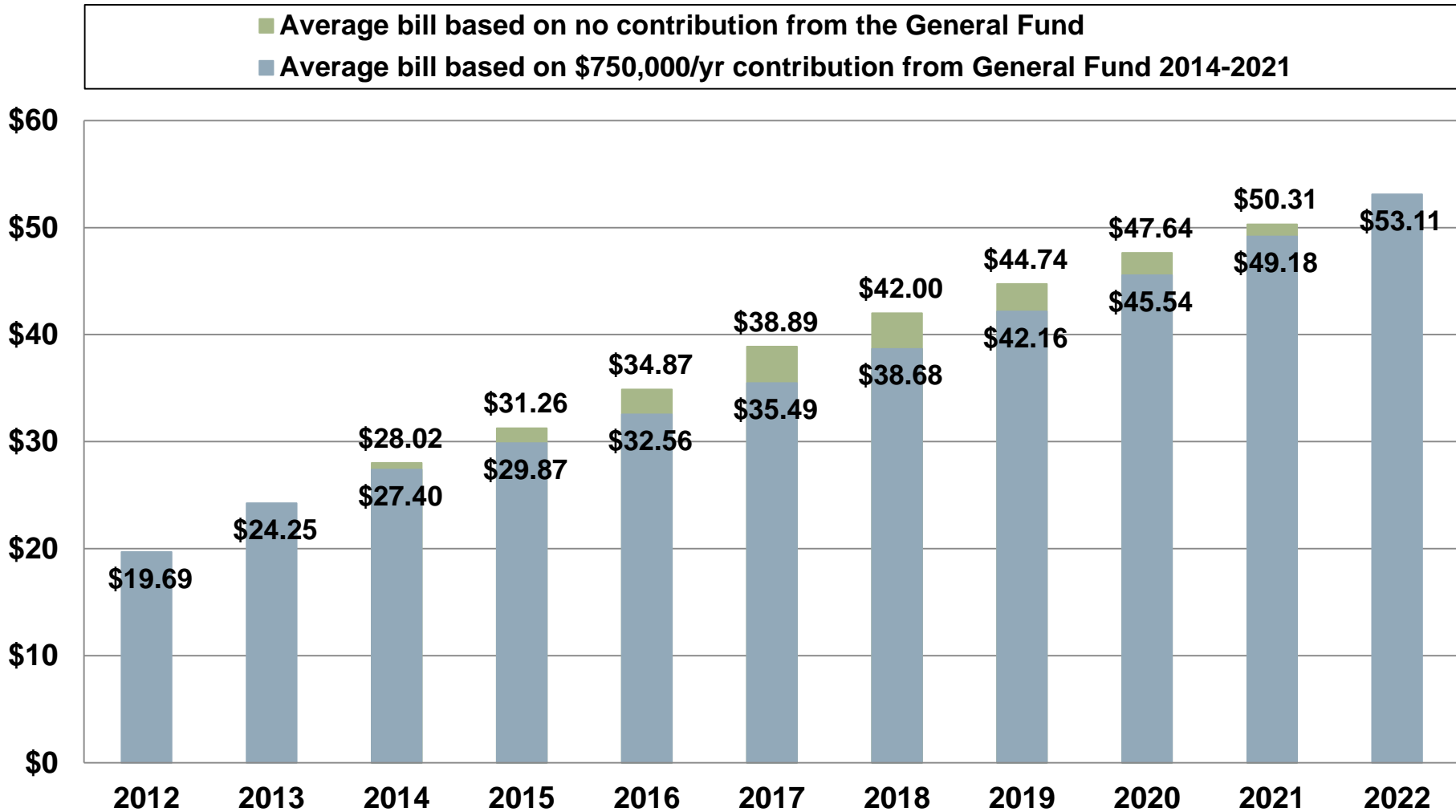
Multi-Family Inside City

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Utility Total Monthly Bill Per Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water	\$52.84	\$55.90	\$63.17	\$68.86	\$75.05	\$81.80	\$89.16	\$97.19	\$104.96	\$113.36	\$122.43
Wastewater	\$12.65	\$11.22	\$12.46	\$13.83	\$15.36	\$17.05	\$18.92	\$20.25	\$21.66	\$23.17	\$24.80
Electric	\$351.99	\$372.43	\$384.50	\$384.50	\$389.80	\$389.80	\$389.80	\$389.80	\$389.80	\$389.80	\$389.80
Storm Drainage	\$4.61	\$4.61	\$5.05	\$5.53	\$6.06	\$6.64	\$7.20	\$7.80	\$8.06	\$8.21	\$8.36
Street Maintenance	\$1.67	\$1.87	\$1.92	\$1.97	\$2.03	\$2.09	\$2.15	\$2.21	\$2.27	\$2.33	\$2.40
Solid Waste Management	\$64.13	\$64.13	\$64.13	\$67.34	\$67.34	\$67.34	\$68.52	\$68.52	\$68.52	\$69.68	\$69.68
Mosquito Control	\$4.66	\$4.66	\$4.66	\$4.66	\$4.66	\$4.66	\$4.95	\$4.95	\$4.95	\$4.95	\$4.95
Total Multi-Family Inside City	\$492.55	\$514.82	\$535.89	\$546.69	\$560.30	\$569.38	\$580.70	\$590.72	\$600.22	\$611.50	\$622.42
% Inc/(Dec) to Prior Year		4.52%	4.09%	2.02%	2.49%	1.62%	1.99%	1.73%	1.61%	1.88%	1.79%

***Based on an average sized Multi-Family complex of 5.83 dwelling units**

Projected Average Residential Water Bill 2012-2022 (8,100 gallons per month) – With and Without General Fund Contribution



Projection of Customer's Total Monthly Utility Bill 2012-2022

Residential Inside City

Without \$750K/yr Contribution from General Fund to Water 2014-2021

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Utility Total Monthly Bill Per Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water	\$19.69	\$24.25	\$28.02	\$31.26	\$34.87	\$38.89	\$42.00	\$44.74	\$47.64	\$50.31	\$53.11
Wastewater	\$15.72	\$18.84	\$20.91	\$23.21	\$25.76	\$28.60	\$31.74	\$33.96	\$36.34	\$38.88	\$41.60
Electric	\$60.38	\$63.88	\$65.95	\$65.95	\$66.86	\$66.86	\$66.86	\$66.86	\$66.86	\$66.86	\$66.86
Storm Drainage	\$8.30	\$8.30	\$9.10	\$9.97	\$10.93	\$11.98	\$12.99	\$14.08	\$14.54	\$14.80	\$15.07
Street Maintenance	\$1.67	\$1.87	\$1.92	\$1.97	\$2.03	\$2.09	\$2.15	\$2.21	\$2.27	\$2.33	\$2.40
Solid Waste Management	\$15.67	\$15.67	\$15.67	\$16.10	\$16.10	\$16.10	\$16.30	\$16.30	\$16.30	\$16.50	\$16.50
Mosquito Control	\$.80	\$.80	\$.80	\$.80	\$.80	\$.80	\$.85	\$.85	\$.85	\$.85	\$.85
Total Residential Inside City	\$122.23	\$133.61	\$142.37	\$149.26	\$157.35	\$165.32	\$172.89	\$179.00	\$184.80	\$190.53	\$196.39
% Inc/(Dec) to Prior Year		9.31%	6.55%	4.83%	5.42%	5.06%	4.57%	3.53%	3.24%	3.10%	3.07%