



Utility Rate Study: An Update

TOWN COUNCIL MEETING
FEBRUARY 17, 2021

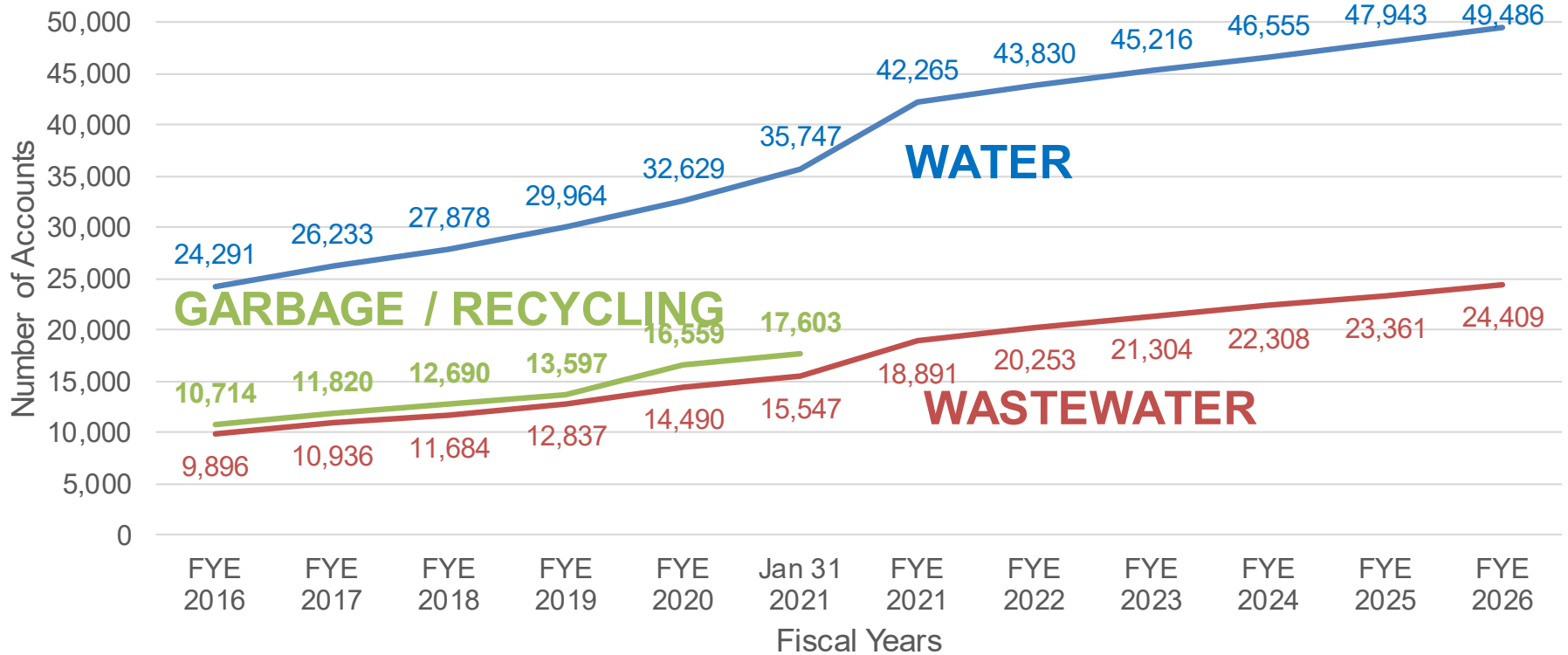
Utility Overview

- Steady, Large Account Growth over the Last Several Years
- Similar Account Growth Expected for the Foreseeable Future
- Water and Wastewater Service Areas Have Expanded
- Water and Wastewater Have Large New Infrastructure Needs: \$130M
 - Water: \$80M
 - Wastewater: \$50M

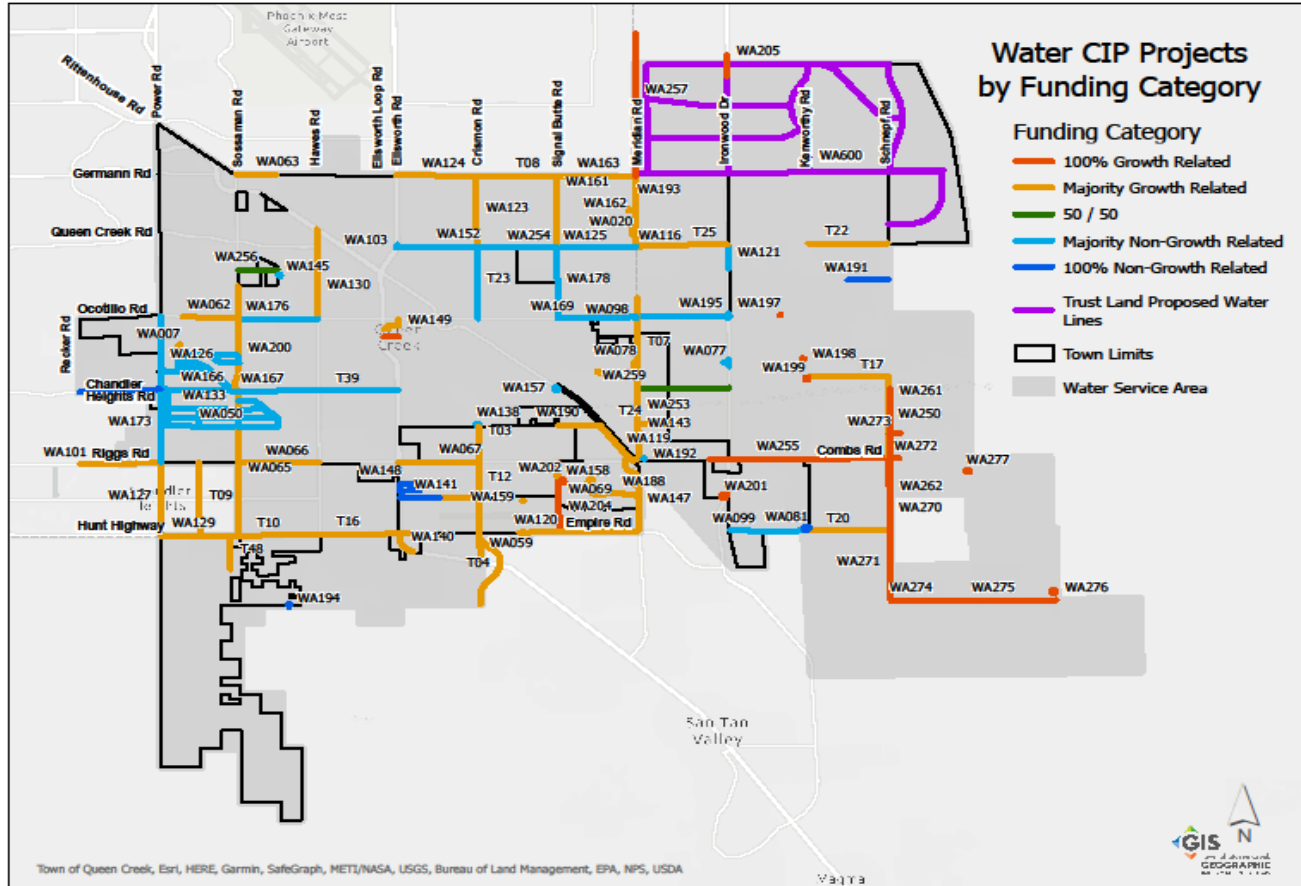


Account Growth

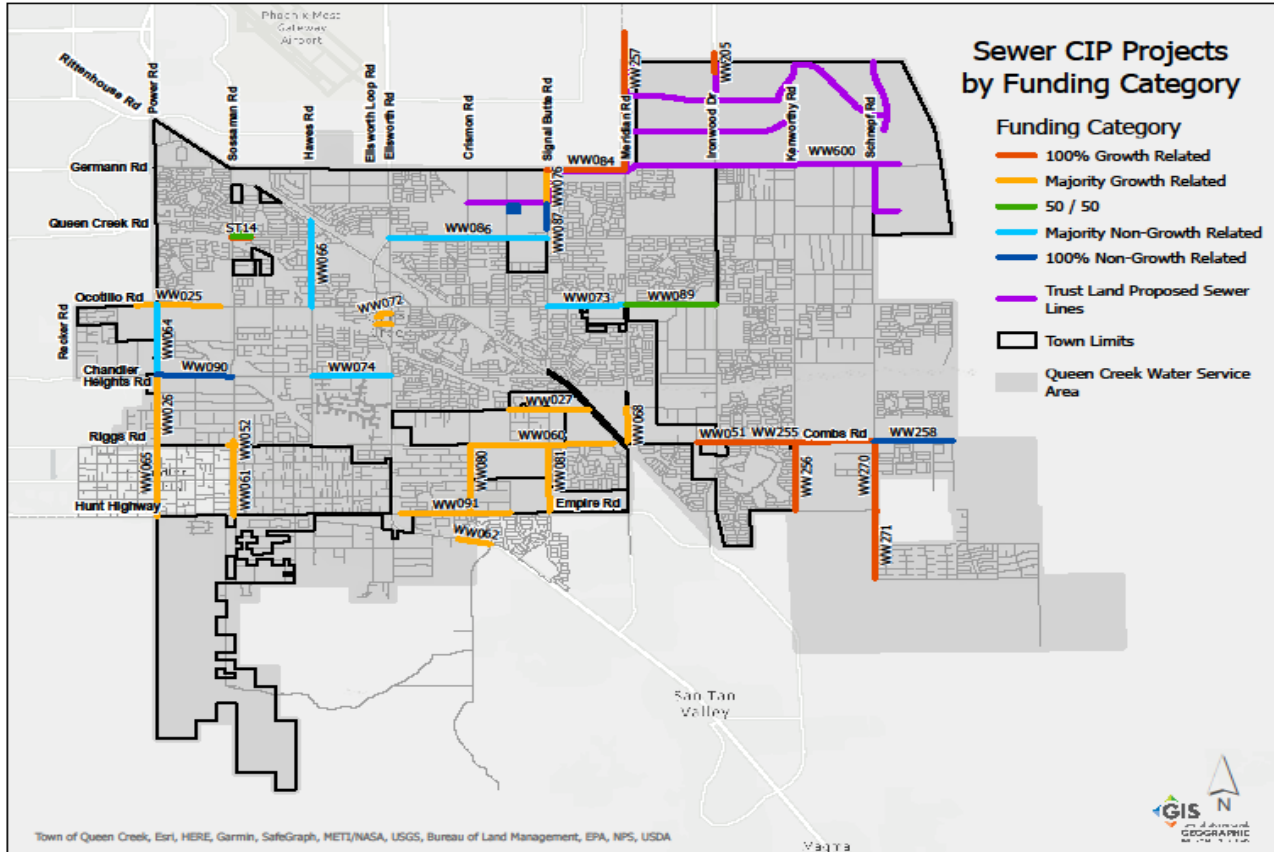
7% to 13% Annual Growth Historically Expected to Continue



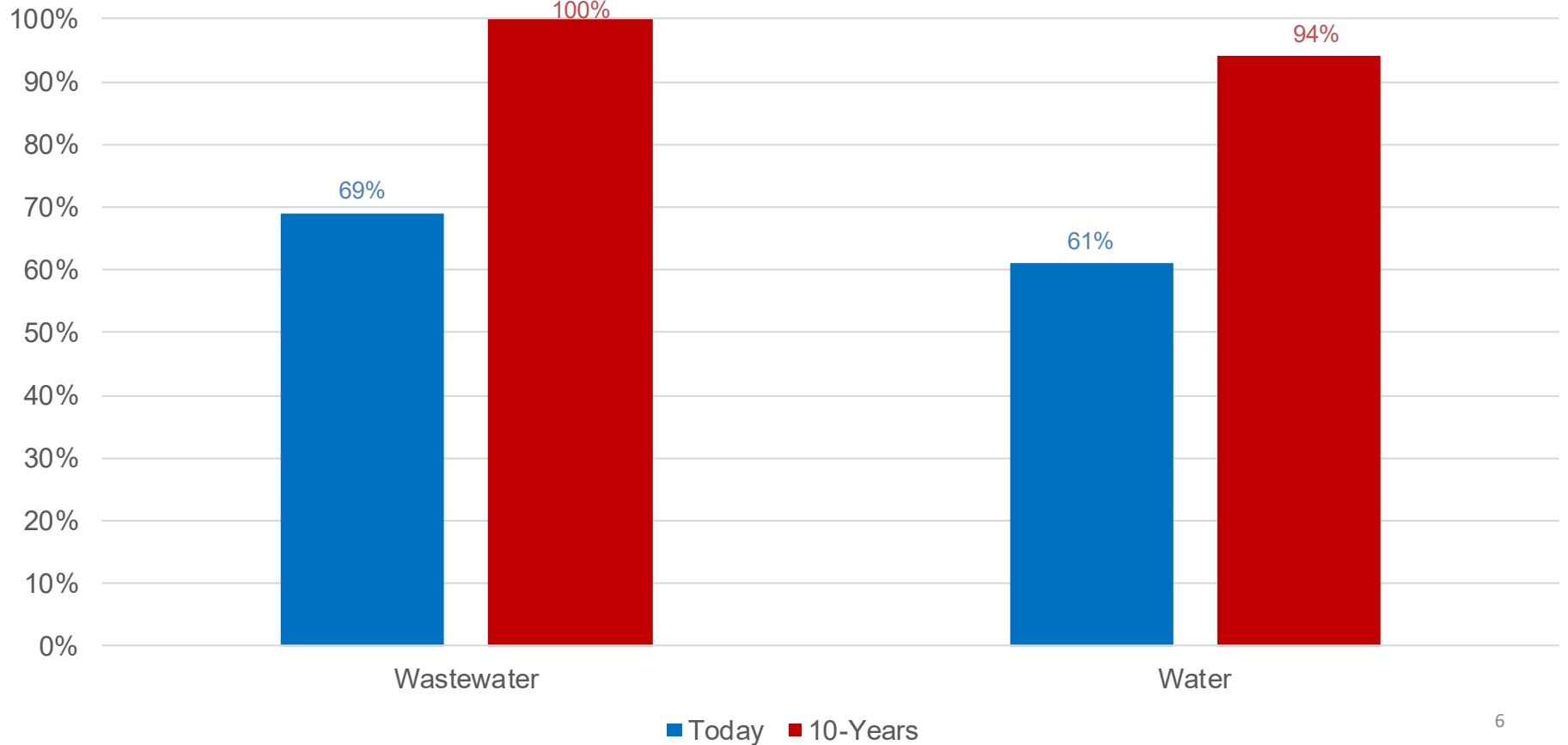
Water Service Area: 70 Square Miles



Wastewater Service Area: 59 Square Miles



Water and Wastewater Infrastructure: Percent Complete Today vs In 10-Years



Rate Study Background

- Utility Rate Study Started in 2019
- Applies to the Town's 3 Utilities
 - Water, Wastewater, Trash / Recycling
- Last Update Provide at February 2020 Town Council Strategic Planning Session
- Steady Progress ... Much Work Still Remains



Rate Information

HISTORY

- Water Rates: Last Increased in 2010
- Wastewater Rates
 - Residential: Reduced in 2019
 - Commercial: Increased in 2015
- Garbage / Recycling: 2013



Average Residential Monthly Bill: \$96



	Amount
Water	\$45
Wastewater	\$35
Garbage / Recycling	<u>\$16</u>
Monthly Bill	\$96

Rate Study Objective

Adopt Multi-Year Rates to Ensure they Cover:

1. Operating Costs
2. Proportionate Share New Infrastructure Costs
3. Proportionate Share Water Supply Costs
4. Repair and Replacement Reserve Funding
5. Operating Reserve Funding
6. Encourage Water Conversation



Other Utility Objectives

- Obtain a Bond Rating for a Combined Water and Wastewater Utility by 2023
- Become a Designated Assured Water Provider by 2035
- Continue to Promote Practices to Reduce Water Consumption



Key Accomplishments Thus Far ...

For Our Customers

1. Reduced Annual Payments By \$3+M
 - Eliminated \$2+M Annual CAGRD Assessments
 - Pre-2004 Subdivisions by the Acquisition on Water Credits
 - Reduced Monthly Residential Wastewater Rates
 - \$1M+ Savings Annually to Customers
 - \$5, 15% Rate Reduction to “Average Bill”
2. Identified \$2.3M of Water Meter Deposit Refunds Due from Water Company Acquisitions
3. Reduced Water and Wastewater Capacity Fees
 - Water Capacity Fee: \$2,382 (from \$4,014)
 - Wastewater Capacity Fee: \$2,901 (from \$5,082)



Key Accomplishments Thus Far ...

(continued)

Improved System's Financial Structure

1. Paid Off \$20.8M Wastewater Treatment Plant Debt
 - Avoided \$3.7M in Interest Expense
 - Eliminated \$2.5M Annual Debt Payment
2. Eliminated Debt Service Reserve Requirements Releasing \$6.5M for Infrastructure Funding
3. Combined Water and Wastewater Utilities into One Debt Service Coverage Ratio



Key Accomplishments Thus Far ...

(continued)

Improved System's Financial Structure (concluded)

4. Acquired Diversified Water Company
5. Spearheaded WIFA Population Eligibility Changes Allowing QC Access to Low Interest Loans
6. Amended Outstanding WIFA Debt
 - Extended Term by 10 Years
 - \$1.6M Reduction in Annual Debt Payment



Key Accomplishments Thus Far ...

(concluded)

Water Resource Acquisition

1. Encanterra Water Exchange Agreement
 - 3MGD of Effluent Water per day; \$8.9M
 - \$2.5M Savings Due to WIFA Financing
2. Acquired ~200K Groundwater Extinguishment Credits
 - Cost: \$58M
 - \$17.5M Savings Due to WIFA Financing



Items Still Remaining ...

1. Issue \$130M of Debt for New Infrastructure
2. Update Water and Wastewater Master Plans and Infrastructure Improvement Plans
3. Finalize Water Supply Need Projections



Possible Policy Issues



1. Identify Funding Sources for Acquiring Water Supply
 - Capacity Fee, Monthly Rate, or a Combination
2. Determine Approach and Timeline to Eliminate CAGR Cost for Post 2004 Subdivisions
3. Evaluate Creating Out-of-Town Surcharge Rates
4. Set Residential Wastewater Rate Maximum / Cap
5. Re-Evaluate Reserve Amounts / Funding Pace
 - Operating, Repair / Replacement

Timeline

Spring / Summer 2021

- Enhance Rate Model
- Issue \$130M Debt to Finance New Infrastructure

Fall 2021

- Initial Discussion RE. Multi-Year Rate Recommendations
- Decide Approach / Process of Customer Communication RE. Rate Recommendations





Comments or Questions