



Water and Sewer Rate Study

Stakeholder Meetings

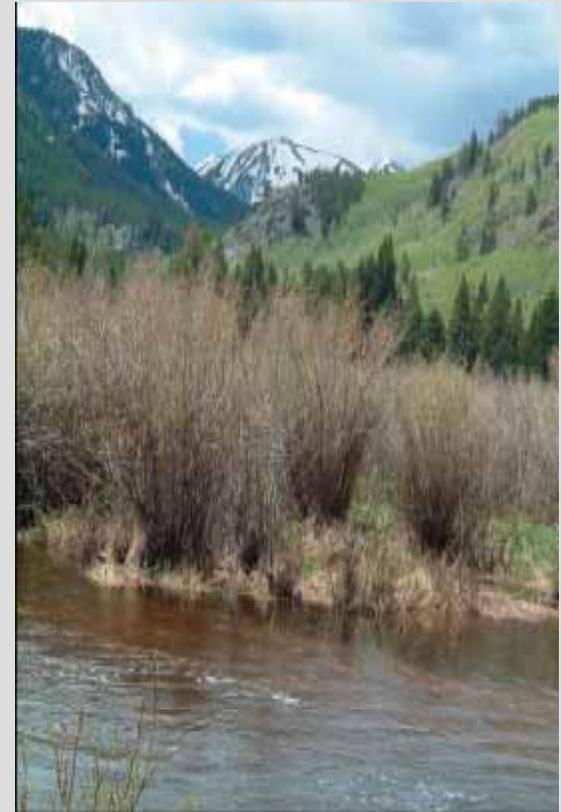


Meeting No. 2

April 30, 2009

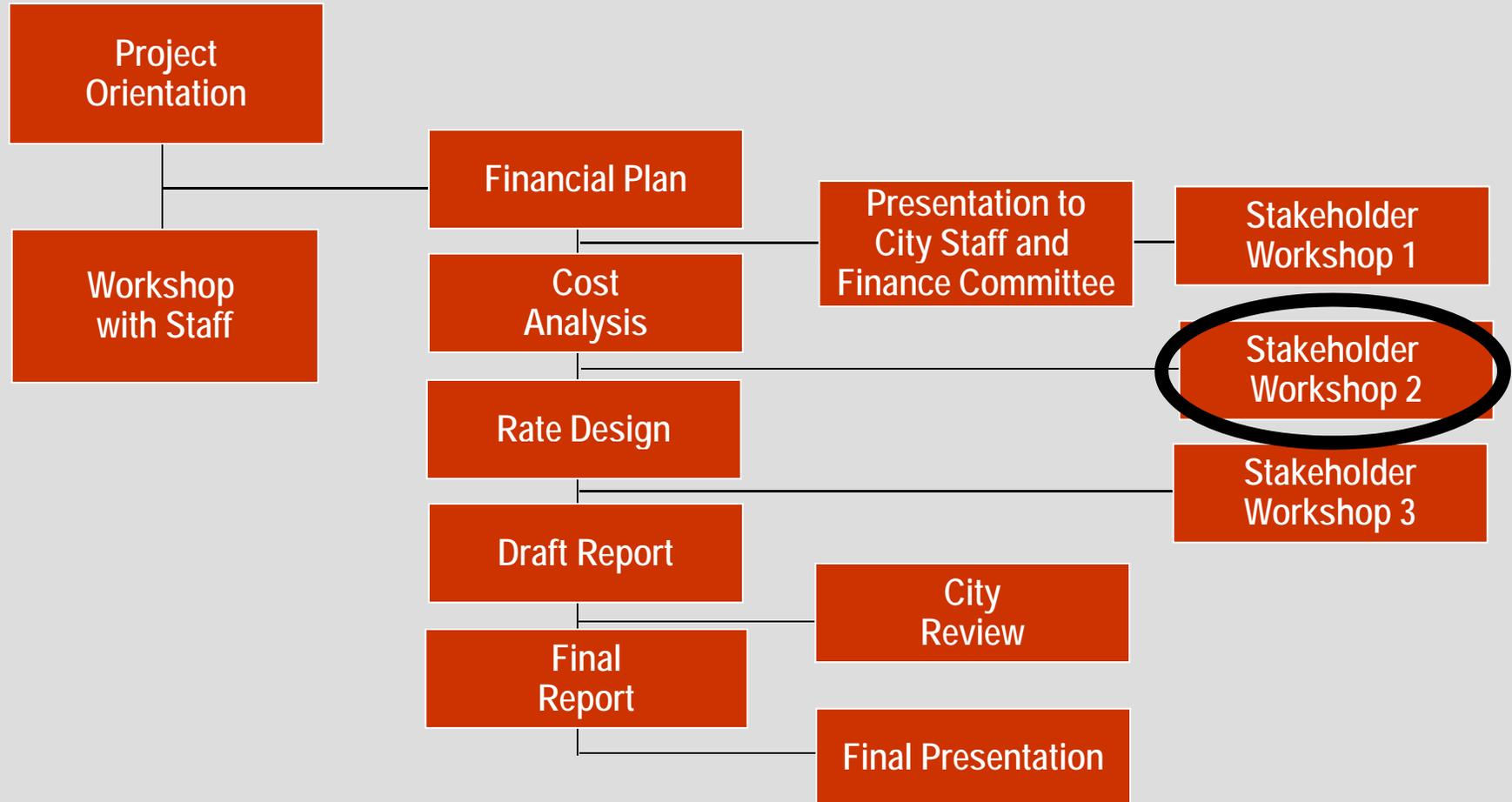
Agenda

- Review Prior Meeting
- Utility Performance – Key Issues
- Utility Performance – Benchmarks
- Water Cost of Service
- Wastewater Cost of Service
- Implications for Rate Design
- Committee Discussion and Interim Guidance
- Summary and Conclusions



Background:

Rate Study Uses A Sequential Approach

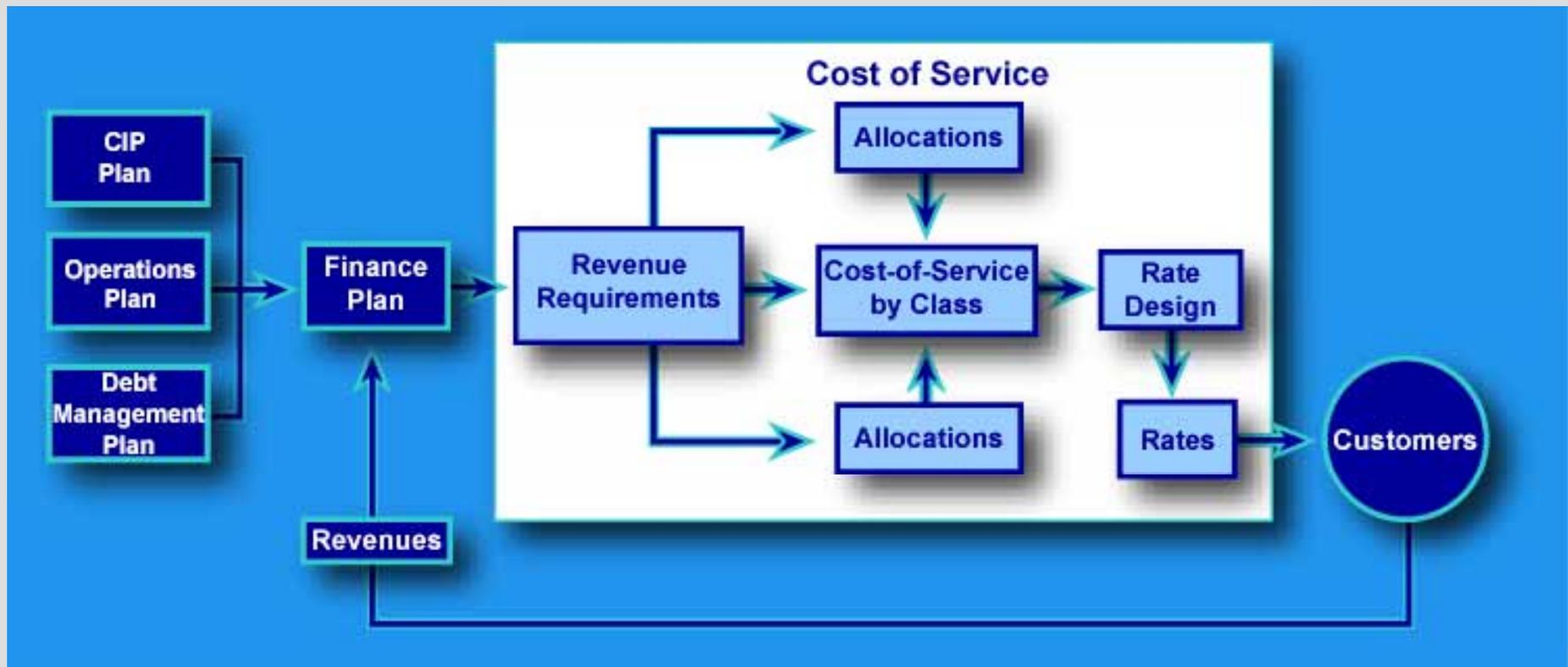


Annual Revenue Adjustments Needed to Sustain Financial Health

<u>Year</u>	<u>Water</u>	<u>Wastewater</u>
2009	0%	0%
2010	19%	18%
2011	17%	18%
2012	17%	17%
2013	17%	16%
Cumulative	91%	89%

(revenue increase – or rates across all classes)

Overview of Cost-of-Service Rate Design Process



UTILITY PERFORMANCE – KEY ISSUES



Key Issues

- Indirect Cost Reimbursement to the General Fund
- Monolith Ranch Expenses
- Communications

Benchmarks

- Renewal and Replacement of Infrastructure
- Number of utility personnel (or “Employee Efficiency”)
- Financial Benchmarks
 - Debt Service Coverage
 - Cash Reserves

Indirect Cost Reimbursement

Enterprise Fund	Indirect Expenses (City)	Indirect Expenses (Red Oak)
Water	\$187,100	\$450,347 <u>(365,226)</u> \$85,121
Wastewater	<u>\$102,700</u>	<u>\$255,126</u>
Total	\$289,800	\$340,247

- typically pay between 8 and 15 percent of the general fund internal services budget

Communication

- City is developing a communication strategy.
- City and Red Oak will prepare a City website for stakeholders.
- Other communication programs.



Monolith Ranch

- The purpose of the ranch is to secure a long-term reliable water supply
- Available water from the ranch (various rights, approximate):
 - 30 cfs (21,700 AFA) agricultural
 - 15 cfs (10,800 AFA) municipal (50% conversion)
- Based on water rights valuations in comparable western states, water rights value between \$10,000 and \$40,000 per acre foot annually (AFA)
- Comparable value of \$100,800,000 (at \$10,000 per AFA)
- Red Oak included \$275,000 in FY2009 and increasing to \$546,000 over the study period to operate the ranch.
- Cost of ownership - between 0.2% and 0.5%

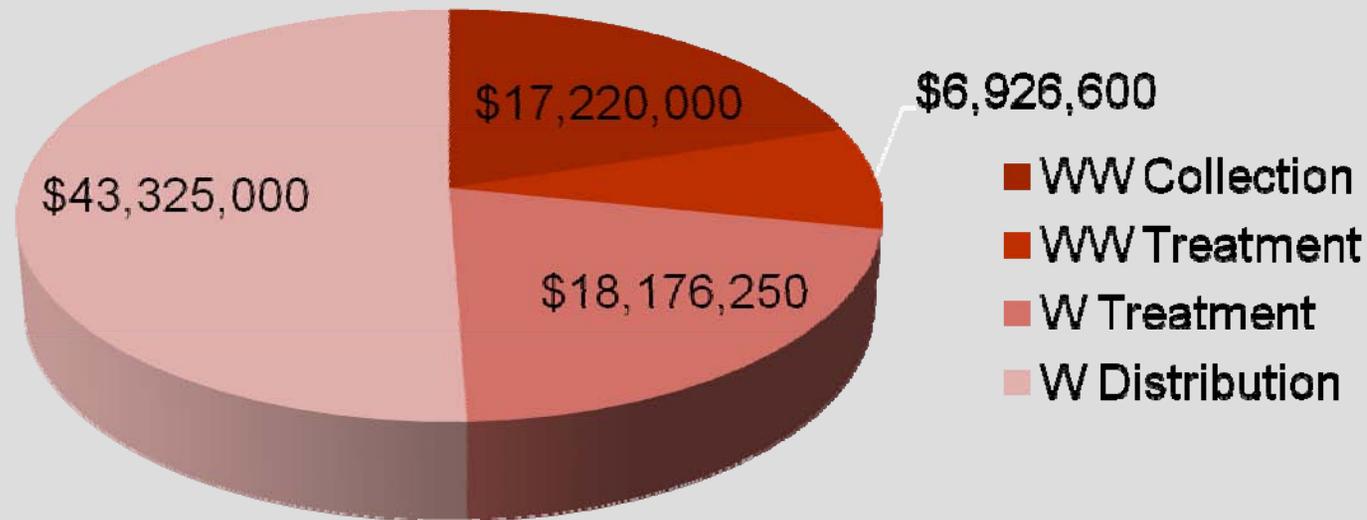
UTILITY PERFORMANCE – BENCHMARKS



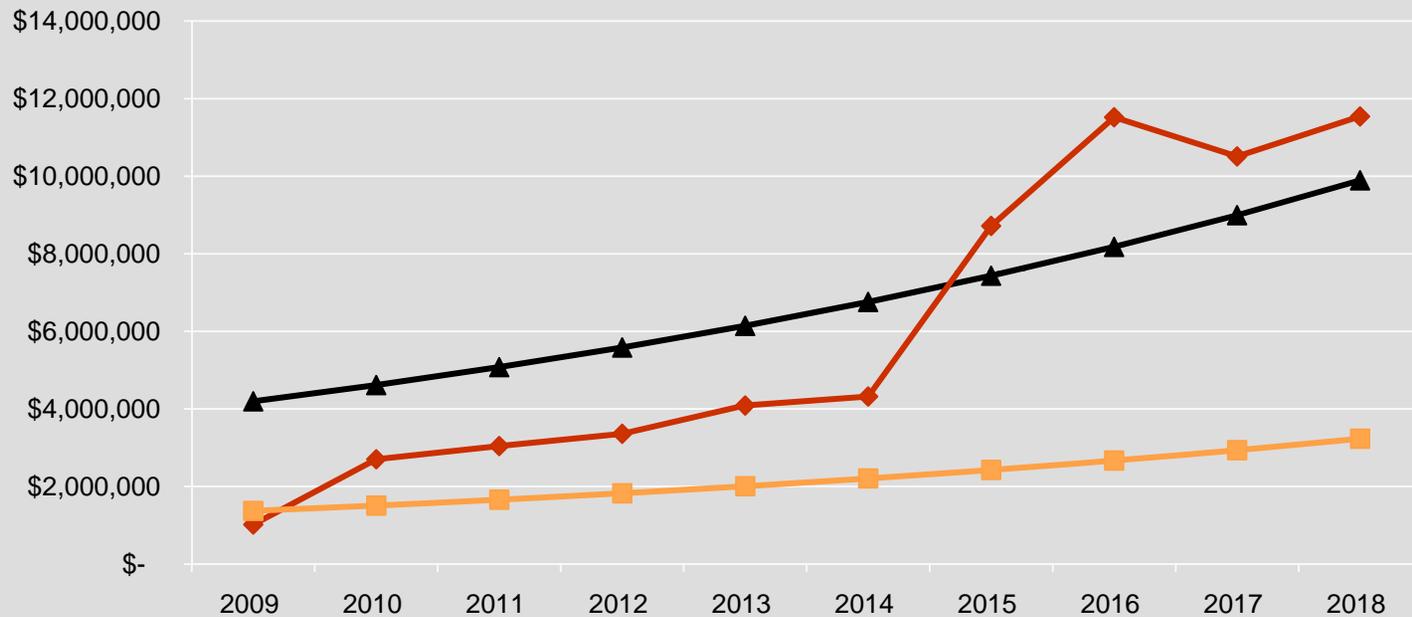
Renewal and Replacement - Overview

- Current Renewal and Replacement Charge:
 - \$4.24 per account
- Generates approximately \$365,000 annually
- Not based on cost of service
- Insufficient to fund renewal and replacement needs.
- Equivalent to approximately \$4.5 million in debt service.

Financial Plan Supports a Water and Wastewater CIP of \$85,650,000 (2009 Dollars)

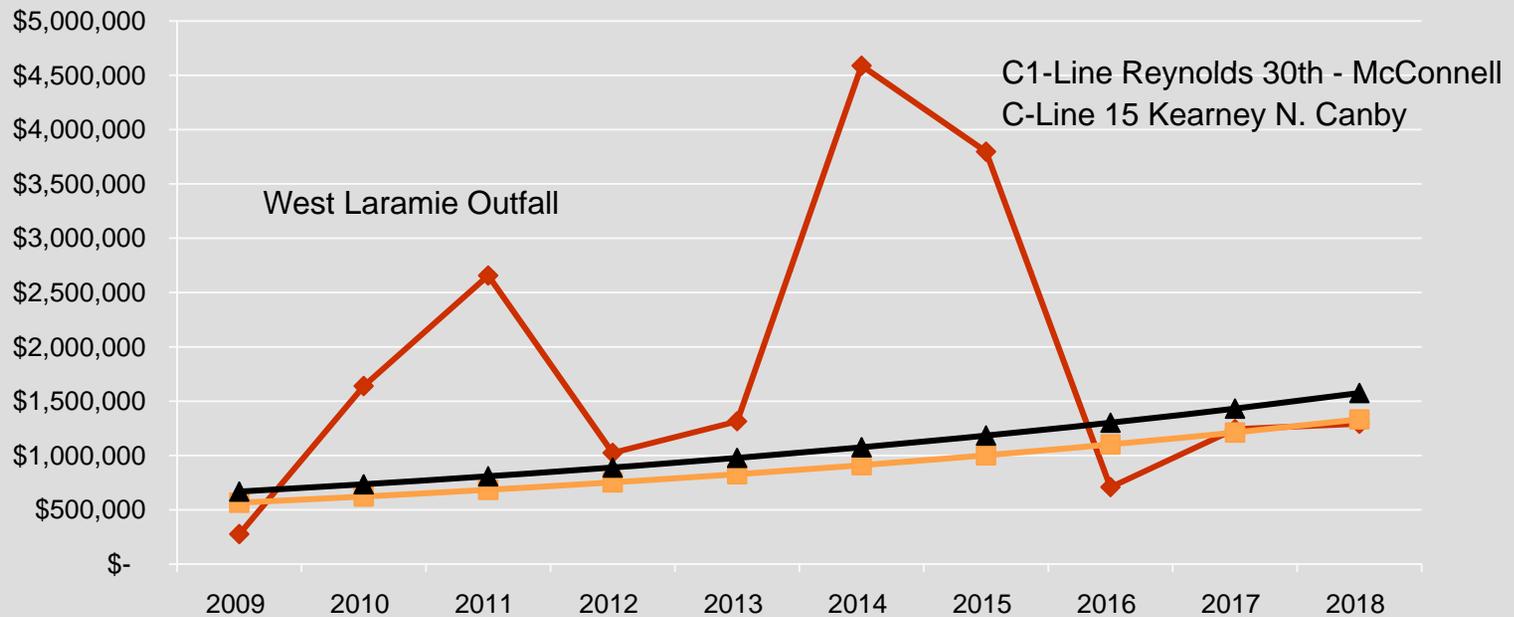


Renewal and Replacement - Water



- ▲ Median - Benchmark
- ◆ City of Laramie, Distribution System Investment
- Minimum - Benchmark

Renewal and Replacement - Wastewater



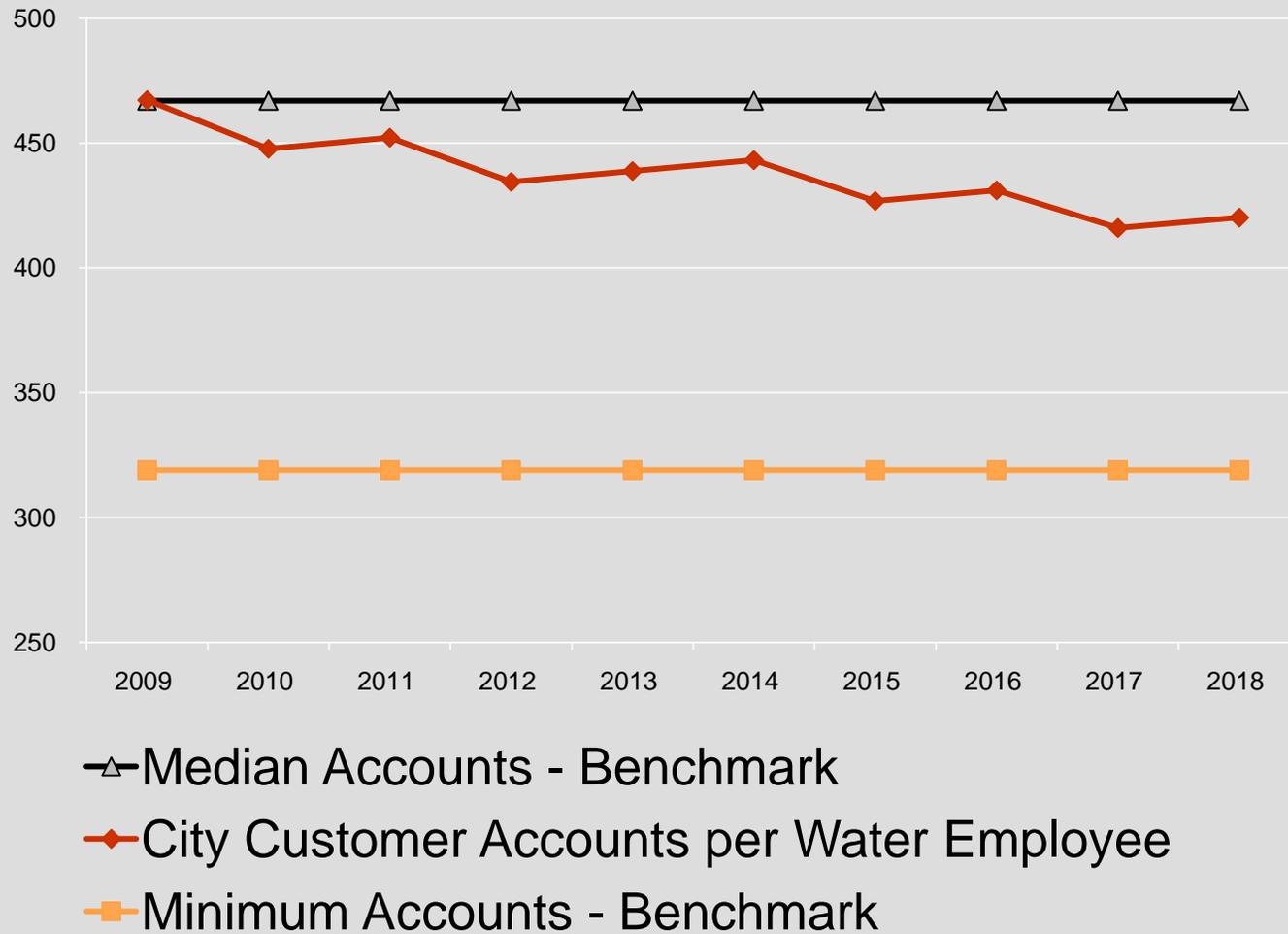
- ◆ City of Laramie, Collection System Investment
- Minimum - Benchmark
- ▲ Median - Benchmark

Financial Plan Supports

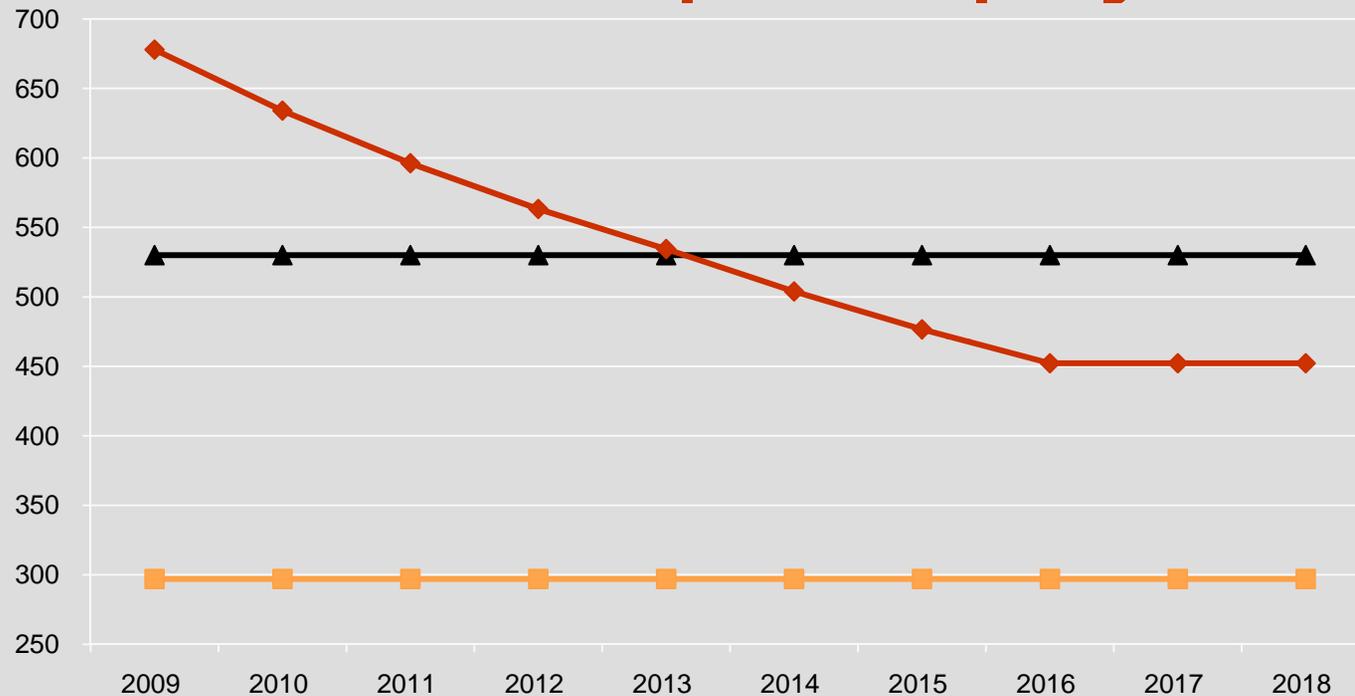
11 Additional Employees

Year	Water Utility Additional FTEs	Wastewater Utility Additional FTEs
2009-10	1.0	1.0
2010-11	0.0	1.0
2011-12	0.0	1.0
2012-13	1.0	1.0
2013-14	0.0	1.0
2014-15	0.0	1.0
2015-16	1.0	1.0
2016-17	0.0	0.0
2017-18	1.0	0.0
2018-19	<u>0.0</u>	<u>0.0</u>
Total	4.0	7.0

Employee Efficiency – Water Customer Accounts per Employee



Employee Efficiency – Sewer Customer Accounts per Employee



▲ Median - Benchmark

◆ City Customer Accounts per Employee

■ Minimum - Benchmark

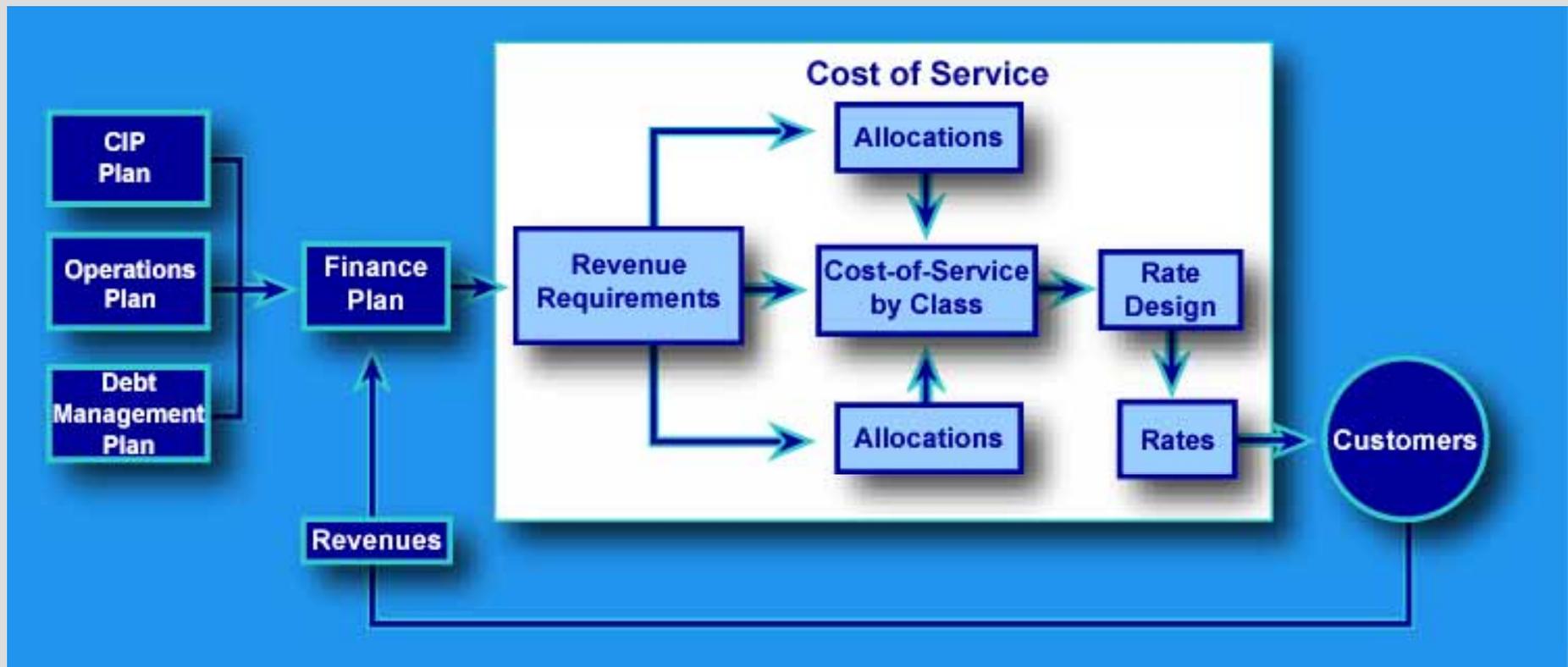
Levels of Service

- No single right answer
- These are “level of service” questions
- What level of service is best for the City?
 - Pressure, Fire flow
 - Unplanned outages (reactive)
 - Line breaks
 - Regulatory compliance
- Does one benchmark (capital investment) allow for some offset of other benchmarks (employees)?

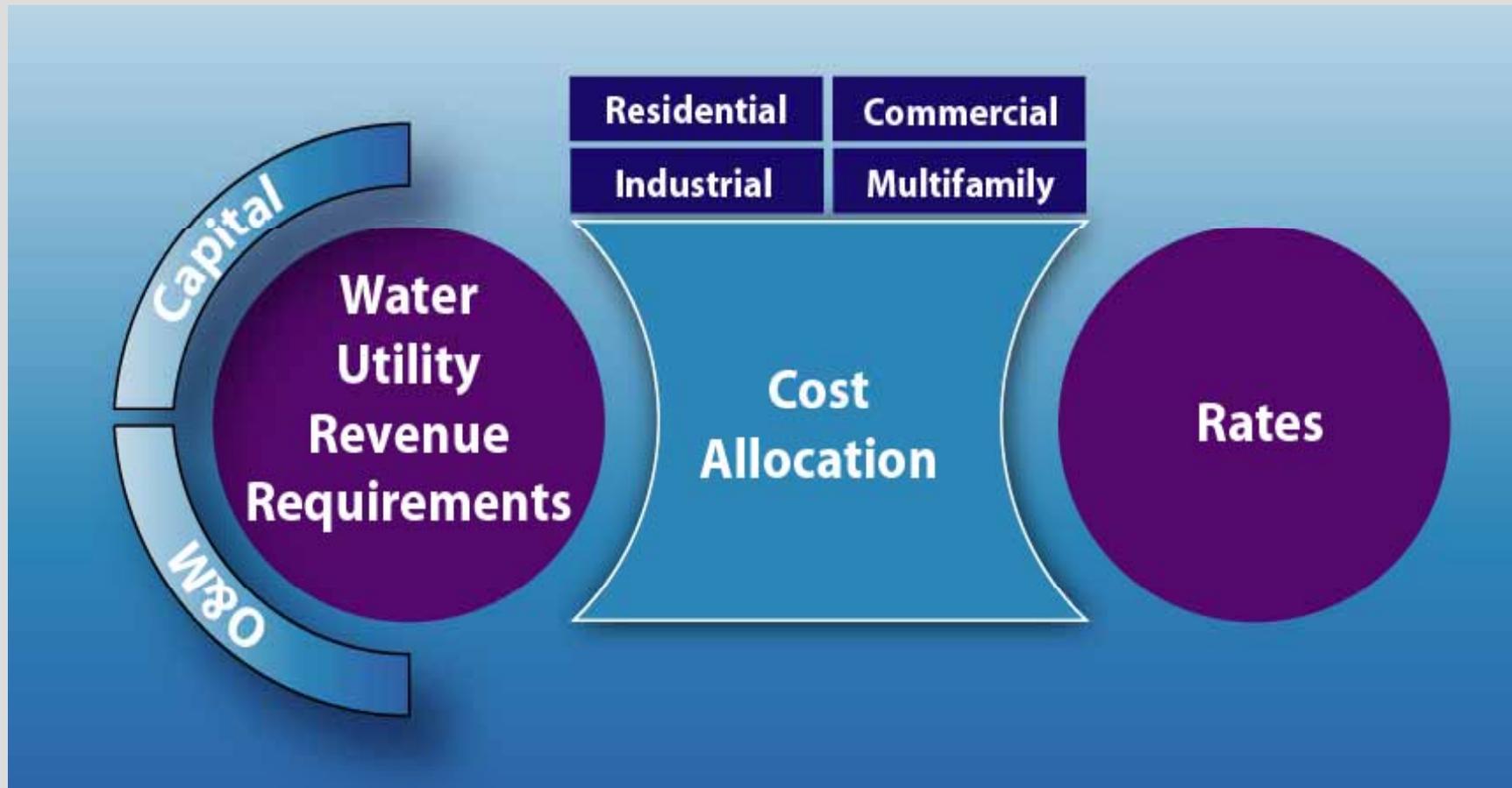
Cost of Service Analysis



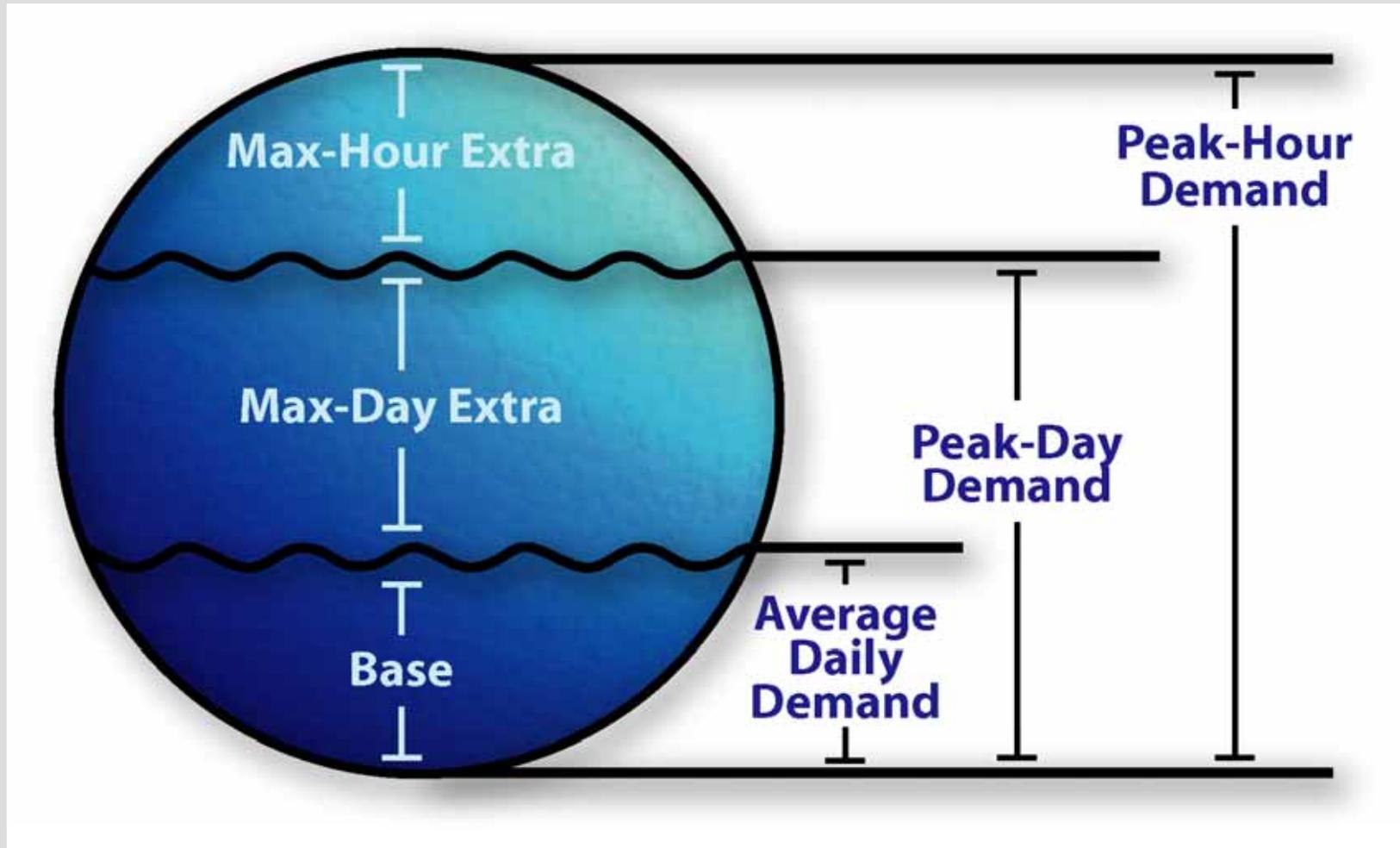
Overview of Cost-of-Service Rate Design Process



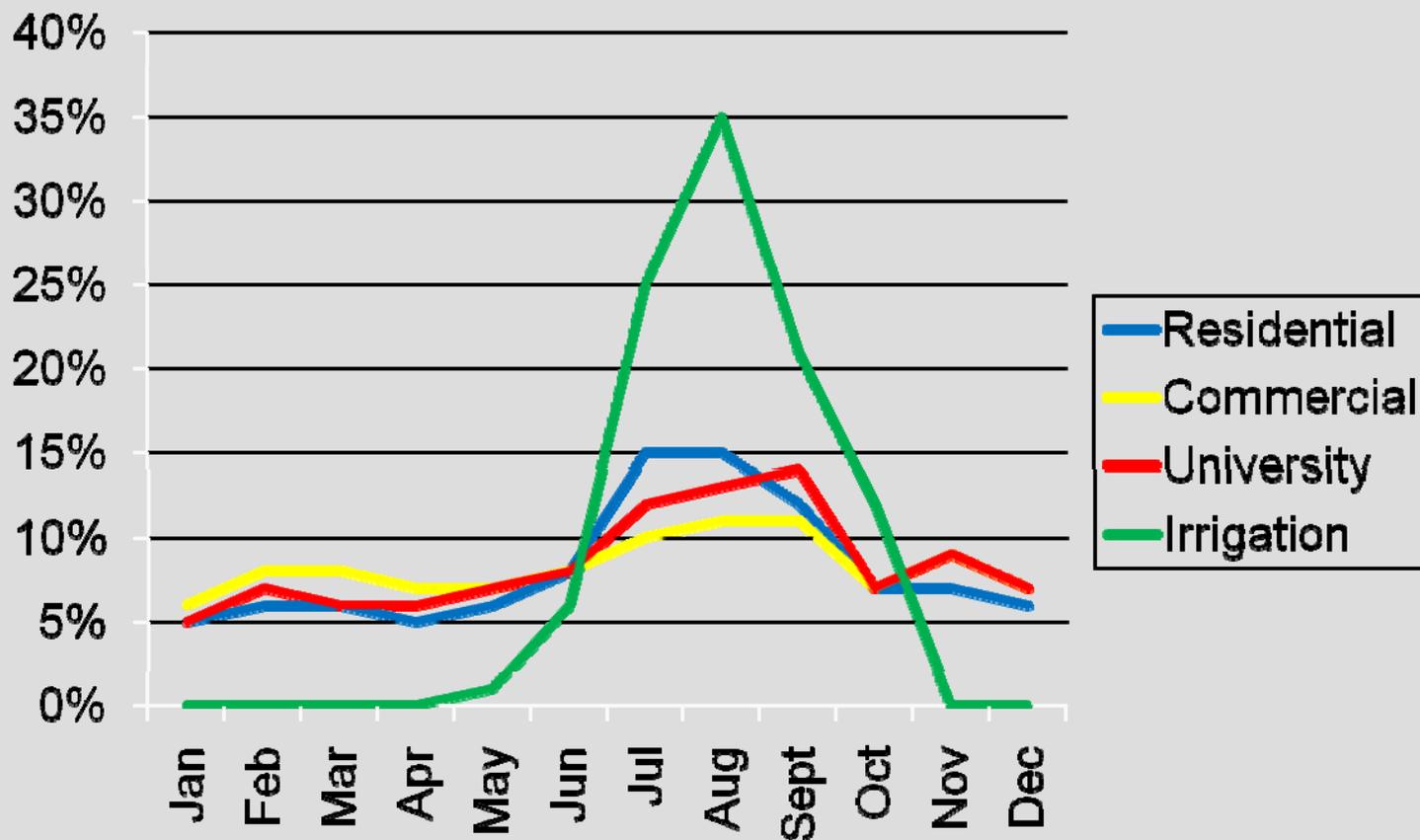
Cost of Service Process for Water Rates



Customer Characteristics



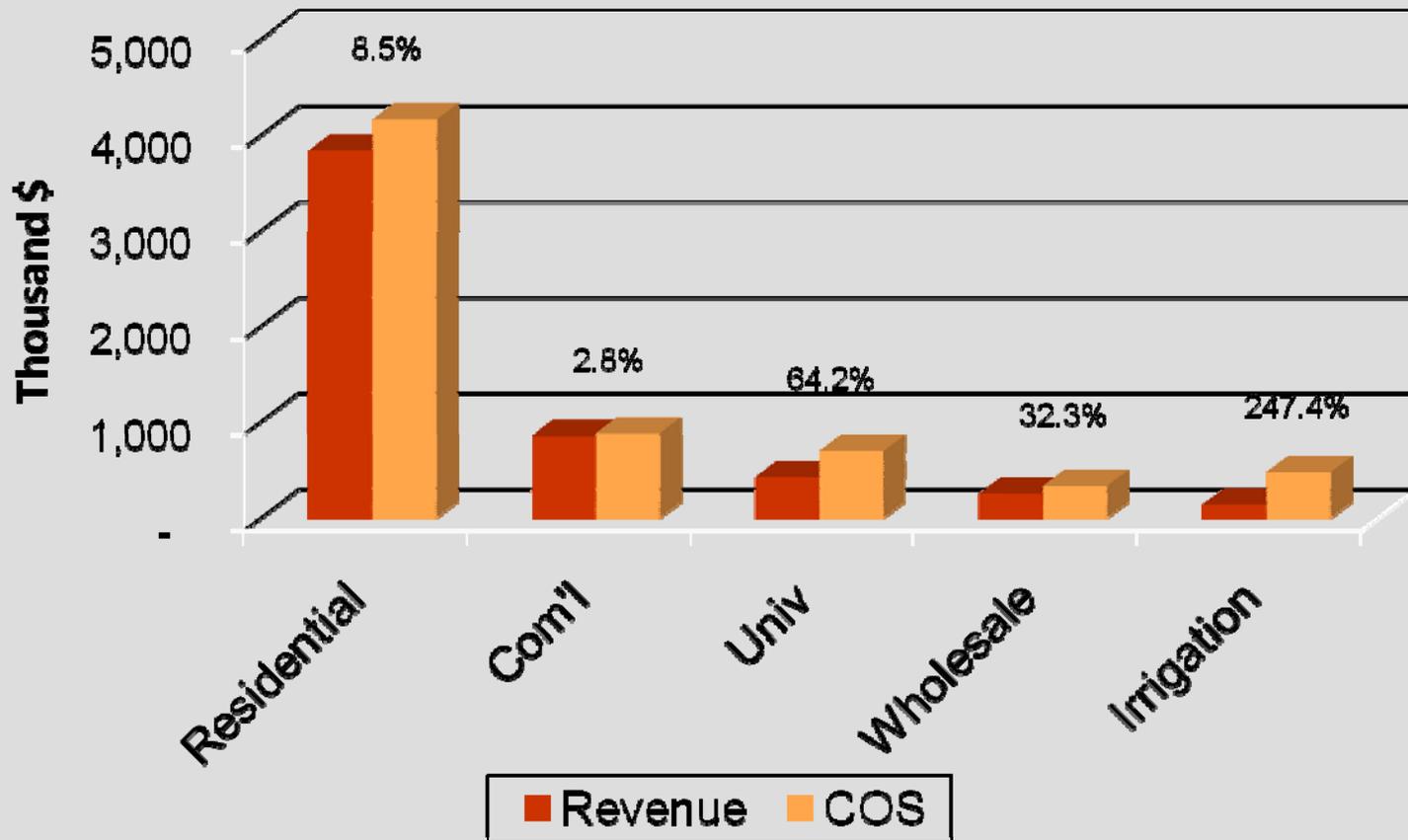
Billed Water Use by Month - % of Annual Use by Class



Peak Day Ratio Comparison

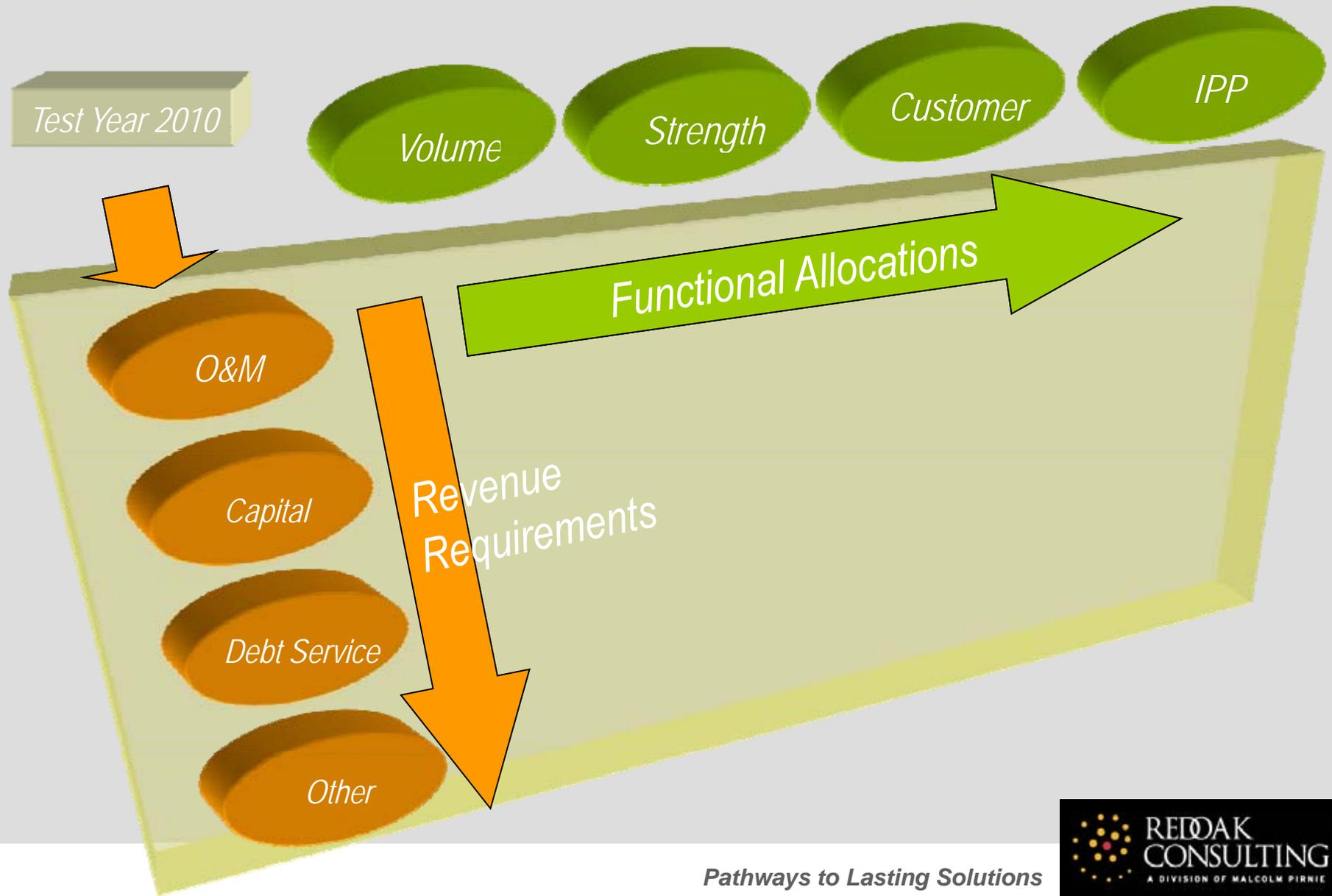
Customer Class	Peak Day
Residential	2.75
Commercial	2.00
University	2.35
Irrigation	6.20
Wholesale	1.90

Water Annual Revenue vs. Year 2010 Cost of Service at Current Rates ⁽¹⁾



(1) Inside City customers

Allocation to Functional Cost Components



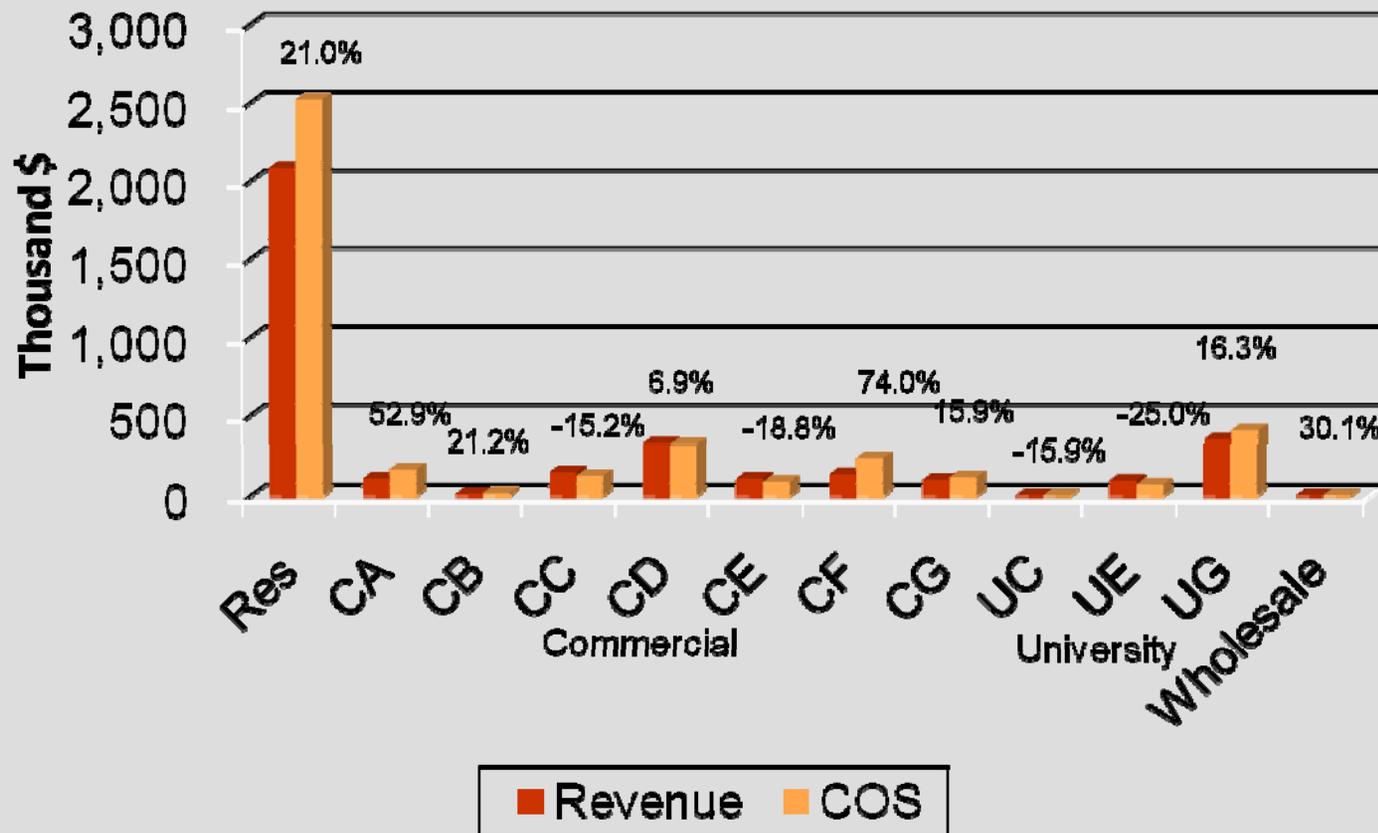
Current Customer Classes - Sewer

- Residential
- Commercial
 - CA - Restaurants
 - CB - Bars & Taverns
 - CC - Entertainment & Service
 - CD - Laundries, Schools & Stores
 - CE - Office Buildings
 - CF - Hotels & Motels
 - CG - Hospitals, Athletic Clubs, Apt, Daycares
- University
 - UC – University Food Service
 - UE – University School Buildings
 - UG – University Dorms, Residences
- Wholesale

Flow and Load by Customer Classes

Customer Class	Flow (1,000 gal.)	BOD (mg/l)	TSS (mg/l)
Residential	540,594	185	296
Commercial-CA	27,528	1,000	600
Comercial-CB	2,867	1,000	600
Commercial-CC	38,793	185	296
Commercial-CD	92,786	450	240
Commercial-CE	29,003	130	80
Commercial-CF	51,597	500	600
Commercial-CG	44,184	250	100
University-UC	1,107	185	296
University-UE	31,906	130	80
University-UG	157,225	250	100
Wholesale	1,665	185	296

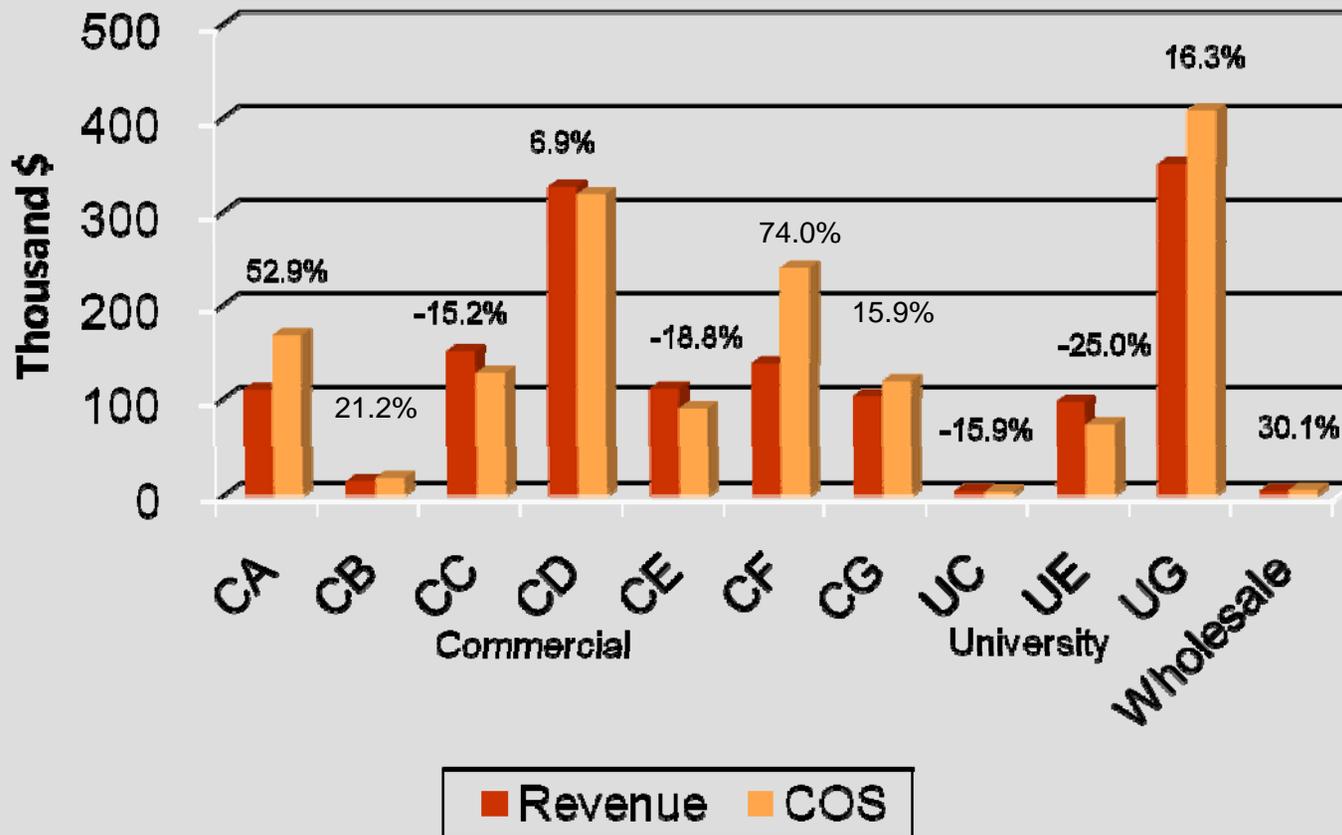
Wastewater Annual Revenue vs. Year 2010 Cost of Service at Current Rates (1)



(1) Inside City customers

Wastewater Annual Revenue vs. Cost of Service at Current Rates ⁽¹⁾

Commercial and University Classes

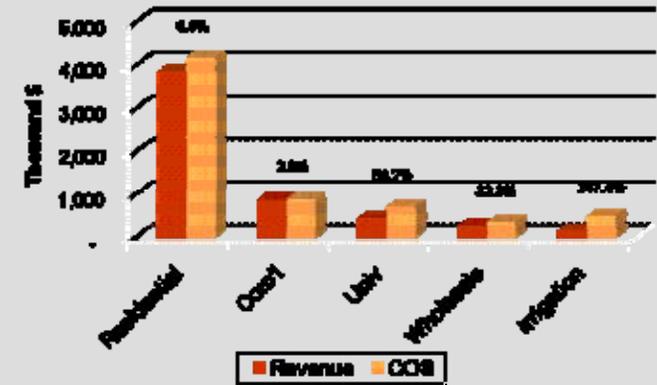


(1) Inside City customers

Implications for Rate Design

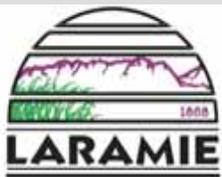


Who Pays?



- City staff expressed a preference for “true cost of service” rates for each enterprise.
- Red Oak will design tiered conservation rates
- Water is the issue
 - Prepared to charge University accounts more than residents?
 - Irrigation class – with a large increase?
- Sewer rates are currently close to cost of service

Committee Discussion and Guidance



Pathways to Lasting Solutions



Discussion

- Monolith Ranch – cost of water “insurance”?
- Maintain the renewal and replacement charge?
- Are the level of service goals appropriate?
- How should service levels be communicated?
- “true cost of service” rates for each enterprise?
- Prepared to charge University accounts more?
- Should the City have an irrigation class?
- Maintain sewer rate classes?



Stakeholder Meeting Schedule



- Meeting #1: Financial Plan – April 9, 2009
- Meeting #2: Cost of Service – April 23 30, 2009
- Meeting #3: Rate Design – May 7, 2009



For Additional Information Contact

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Pathways to Lasting Solutions

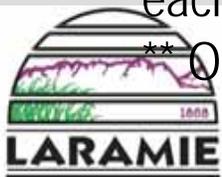


Current Water Rates

Charge	Amount
Base Fee by Meter Size	
3/4"	\$ 13.67
1"	\$ 22.97
1 1/2"	\$ 45.22
2"	\$ 73.21
3"	\$ 136.39
4"	\$ 227.53
6"	\$ 455.14
8"	\$ 727.94
Metered Water Charge	\$2.30 per 1,000 gallons

* Waterline replacement program monthly charge of \$4.24 is assessed to each meter in addition to the base charge.

** Outside city limits is \$2.87 per 1,000 gallons.



Current Residential Wastewater Rates

Charge	Amount
Base Fee – All Meter Sizes	\$ 9.83
Consumption Charge*	\$2.22 per 1,000 gallons
* Based on January, February and March water consumption from the previous year usage for the residence. The average of the three months is the consumption used each month for the entire year.	



Current Commercial Wastewater Rates

Charge	Description	Amount
Base Rate		\$9.83
Consumption Rate		
CA	Restaurants	\$ 3.73
CB	Bars & Taverns	\$ 4.75
CC	Entertainment & Service	\$ 3.55
CD	Laundries, Schools & Stores	\$3.23
CE	Office Buildings	\$ 2.98
CF	Hotels & Motels	\$ 2.59
CG	Hospitals, Athletic Clubs, Apt, Daycares, Dorms, Residences	\$2.21

