

City Council Water Committee

Meeting Agenda

Friday, February 19, 2016

ADMINISTRATION BUILDING, WASTEWATER PLANT

1552 Empire Road

7:30-9:30 am

- I. Call to Order
 - II. Roll Call
 - III. Approval of Agenda
 - IV. Approval of Minutes from November 13, 2015
 - V. Public Comments on Items Not on the Agenda
 - VI. Update – Water Resources (Cory Peterson)
 - Water Supply Update
 - Windy Gap Firming Project Update (dates provided by NCWCD)
 - i. 404 Permit – 2016
 - ii. Water Rights Decree – 2016
 - iii. Design Consultant Selection – RFP 2015
 - VII. Update – CIP Projects (Cory Peterson)
 - Wastewater Treatment Plant Upgrades
 - i. Status: Under construction (MHW)
 - ii. Contract cost: \$31.2 million
 - iii. Estimated completion: July 2017
 - Louisville/Lafayette Drainageway Improvements
 - i. Status: Under construction (Concrete Express- Phase 1, Redpoint-Phase 2)
 - ii. Engineer's estimate: \$9 million total cost before UDFCD & City of Lafayette contributions
 - iii. Estimated completion: August 2016-Phase 2, September 2016-Phase 1
 - Louisville/Superior Interconnect
 - i. Status: Under construction (Redpoint)
 - ii. Contract cost: \$537,000
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- Eldorado Intake Reconstruction
 - i. Status: Under construction (Glacier)
 - ii. Contract cost: \$1.5 million
 - iii. Estimated completion: April 2016
 - iv. Community Ditch Reconstruction Project
- Sid Copeland WTP Contact Tank
 - i. Status: Construction Contract Council 2/16/16.
 - ii. Proposed Contract: \$424,000
- Sid Copeland WTP Pump Station
 - i. Status: project scheduled for 2016
 - ii. Engineer's estimate: \$2.4 million

VIII. 2016 Utility Rate Recommendation (Cory Peterson)

IX. Tap Fee

- Water Service Regulation Changes
- Update Tap Fee
- Review of Live/Work (Kurt Kowar)

X. Raw Water Master Plan Update (Cory Peterson/Paul Flack)

XI. Update – Legal (Alan Hill)

- Eldorado Springs
- SWSP
- Other Water Court Cases

XII. Conservation Rebate Program (Kurt Kowar/Cory Peterson)

XIII. Upcoming Projects and Council Action

- Utility Rates - 3/8/16 & 3/15/16
- SCWTP Pump Station Design – April
- Raw Water Pipeline Assessment - April
- SCWTP Pump Station Construction - August

XIV. Committee Operations

- Future Committee meeting schedule: 7:30-9:30 am May. 3rd Quarter Meeting: August, 2016. 4th Quarter Meeting: November 2016.

XV. Agenda Items and Date for Next Meeting

XVI. Wastewater Plant Tour and Staff Introductions

XVII. Adjourn 9:30 am

Attachments: 2015-11-13 Meeting Minutes

Project Pictures

2016 Utility Rate Presentation

Draft 3-8-16 Council Communication

Raw Water Master Plan Design Drought Selection

**City Council
Water Committee
Draft - Meeting Minutes**

Friday, November 13, 2015
COUNCIL CHAMBERS, CITY HALL, 2ND FLOOR
7:30-9:30am

I. **Call to Order** – Jeff Lipton called the meeting to order at 7:30.

II. **Roll Call** was taken and the following members were present:

City Council: Jeff Lipton, Robert Muckle, Chris Leh

Absent:

Staff Present: Heather Balsler, Cory Peterson, Graham Clark, Kevin Watson,
Alan Hill (Yates Law Firm), Paul Flack (RBI)

Public: Tom Phare

III. **Approval of Agenda:** Agenda approved.

IV. **Approval of the Minutes:** The meeting minutes from April 3rd, July 10th and
September 15th were approval as written.

V. **PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA:**

None

VI. **Update – Water Resources (Cory Peterson/Paul Flack)**

- Water Supply Update

Stream conditions and water supply is typical for this time of year.
Storage levels are slightly behind due to the construction on the
Community Ditch but within normal limits. Forecasts predict normal to
above normal precipitation moving into fall and winter.

- Windy Gap Firing Project Update

Staff attended a Windy Gap Participants' Committee Meeting on
November 9th. NCWCD continues to work on obtaining the final 401 and

City of Louisville

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303.335.4608 (phone) 303.335.4550 (fax) www.ci.louisville.co.us

404 permits. NCWCD is planning on soliciting for a design consultant as the permit issues are resolved. Design work is expected to start in 2016.

VII. Update – CIP Projects (Cory Peterson)

- Wastewater Treatment Plant Upgrades
 - i. Status: Under construction (contractor: MHW)
 - ii. Contract Cost: \$31.2 million.
 - iii. Estimated completion: July 2017

Mr. Peterson described the recent activity performed by MHW on placing the concrete for the new aeration basins. In general, the pace of construction is proceeding satisfactorily.
- Louisville/Lafayette Drainageway Improvements
 - i. Status: final design, construction bid advertisement dependent on permitting.
 - ii. Engineer's estimate: \$9 million total cost before UDFCD & City of Lafayette contributions.
- Louisville/Superior Interconnect
 - i. Status: Under construction (Redpoint)
 - ii. Contract Cost: \$537,000

Mr. Peterson stated that the pre-construction meeting was held on Thursday the 12th. Once permits are obtained the Redpoint will begin construction.
- Howard Berry Water Treatment Plant Sludge Handling
 - i. Status: Project close-out (Moltz Construction)
 - ii. Engineer's estimate: \$2.17 million

Mr. Peterson provided a summary of the project. Overall, the project was very smooth and the contractor (Moltz) did a great job. There was a minor cost overrun of \$8,400 for some additional asphalt paving and project materials not included in the original scope. Project will be used the first time when the Howard Berry Plant comes back online in early 2016.
- Eldorado Intake Reconstruction
 - i. Status: Under construction (Glacier)
 - ii. Contract cost: \$1.5 million

Mr. Peterson explained that the project got underway in October with the most recent activity being the completion of the stream bypass line allowing for the access to the stream banks and bed. This project will be ongoing through the winter which will provide a

challenge for construction. Mrs. Balsemer gave a status update on the CDBG funding.

iv. Community Ditch Reconstruction Project

Mr. Peterson outlined FRICO's plan to wrap up the construction on the Upper Community Ditch towards the end of December, may be sooner if the weather holds.

- Sid Copeland WTP Contact Tank
 - i. Status: A structural evaluation and preliminary design have been complete on the tank.
 - ii. Engineer's estimated for final design: \$25,000

Mr. Peterson provided a brief overview of project with final design being finalized at the end of the year in preparation for a construction bid in early 2016.

- Sid Copeland WTP Pump Station
 - i. Status: Project scheduled for 2016
 - ii. Engineer's estimate: \$2.4 million

Mr. Peterson provided a brief overview of project as a look ahead to 2016.

VIII. 2016 Utility Rates Update

Mr. Peterson outlined the analysis that went into developing the proposed 2016 utility rates. Mr. Watson provided additional financial background related to the current debt service and how it interacts with the rates. Similar to the prior rate analysis, staff and the rate consultant (Raftelis) offered three scenarios: do nothing, just in time and smoothing. The water committee was in favor of the smoothing option and asked for some additional information including: background historical rate, surrounding community rate comparison and a sensitivity analysis with specific impacts from tap fees and the increased water sewer line replacement due to the pavement booster program.

IX. Utility Bill Assistance

Mr. Clark explained the City does not currently have our own assistance program. To meet this need, the City is planning on providing funding to Sister Carmen in 2016 specifically for water bills. Residents will be allowed to use the program no more than two times in a lifetime.

X. Raw Water Master Plan Update

Mr. Peterson presented the background information on the City's water supply and demand. A draft outline was provided on the goals and focus of the Master Plan. General water rights strategies were discussed.

XI. Update – Legal (Alan Hill)

- Eldorado Springs

Mr. Hill discussed the pending revision and amendment to the augmentation agreement with Eldorado Springs.

- SWSP

Mr. Hill outlined the efforts in obtaining the substitute water supply plan to allow for the use of the pipeline during the Community Ditch shutdown.

XII. Committee Operations

XIII. Agenda Items and Date for Next Meeting

- Future Committee meeting schedule: 7:30-9:30 am February 19, 2016.

XIV. Adjourn

The meeting was adjourned at 9:30 am by Mr. Muckle and seconded by Mr. Leh.



Figure 1 – Interconnect



Figure 2 – Intake



City Council 2016 Financial Plan Update

DRAFT | March 8, 2016

Agenda

Financial Plan

- **Performance Metrics**
- **Alternatives**
 - **Do Nothing**
 - **Just-In-Time**
 - **Smoothing – Recommended by Staff and Water Committee**

Financial Plan

Financial Planning Performance Metrics

Debt Service Coverage (DSC):

Ratio of net revenues
(operating revenue less operating expense)
to annual debt service payment

- » Target DSC above legal minimum
 - Conservative approach to ensure legal DSC minimums are met even if revenue forecasts are not achieved
 - Maintain or achieve higher credit ratings

Debt Service Coverage

Minimum DSC Ratio (without Tap Fees)

Legal Requirement	1.2
Loan Requirement	1.3

Target DSC Ratio (without Tap Fees)

Water	1.4
Wastewater	1.3
Storm	1.3
Combined	1.4

Financial Planning Performance Metrics

Cash Reserve:

- » Target is the same for all 3 Utilities:
 - 120 days cash or 33% of Total O&M

Formula:

$$\left(\frac{\text{Year-End Undrestricted Cash}}{\text{Total O\&M Expenses}} \right) \times 365 \text{ days}$$

Debt Issuance Information

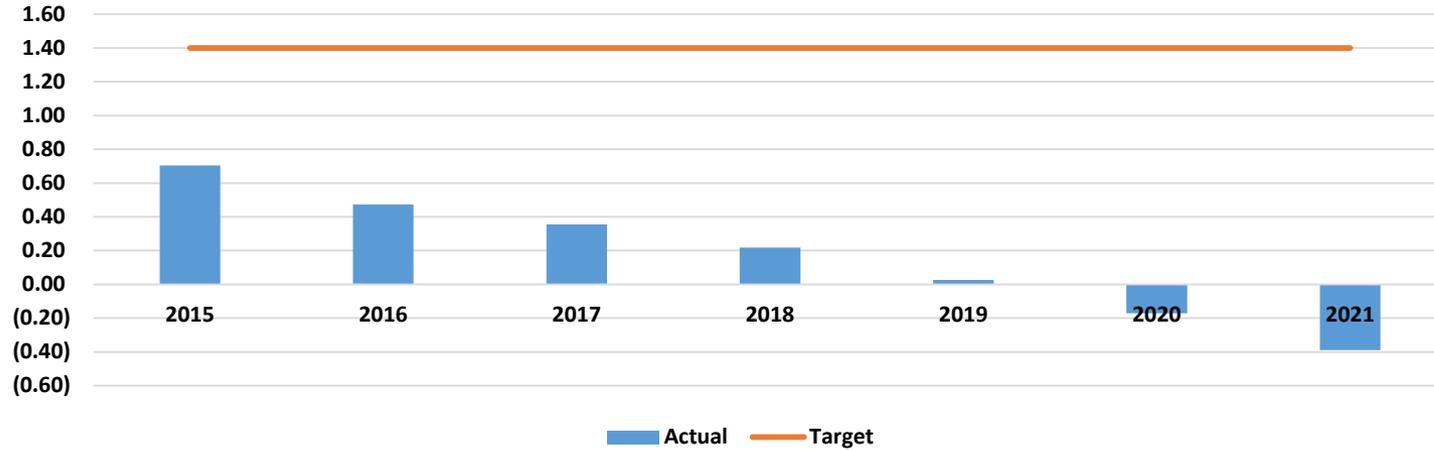
Utility	Amount Issued in 2015	2015 Partial Year Debt Service Payment	2016 Debt Service Payment (1)	2025 Debt Service Payment
Wastewater	\$26.3 Million	\$315,228	\$1,281,189	\$2,014,212
Stormwater	\$5.4 Million	\$64,565	\$262,412	\$412,549

(1) 2016 debt service payments are covered under proposed rate increases

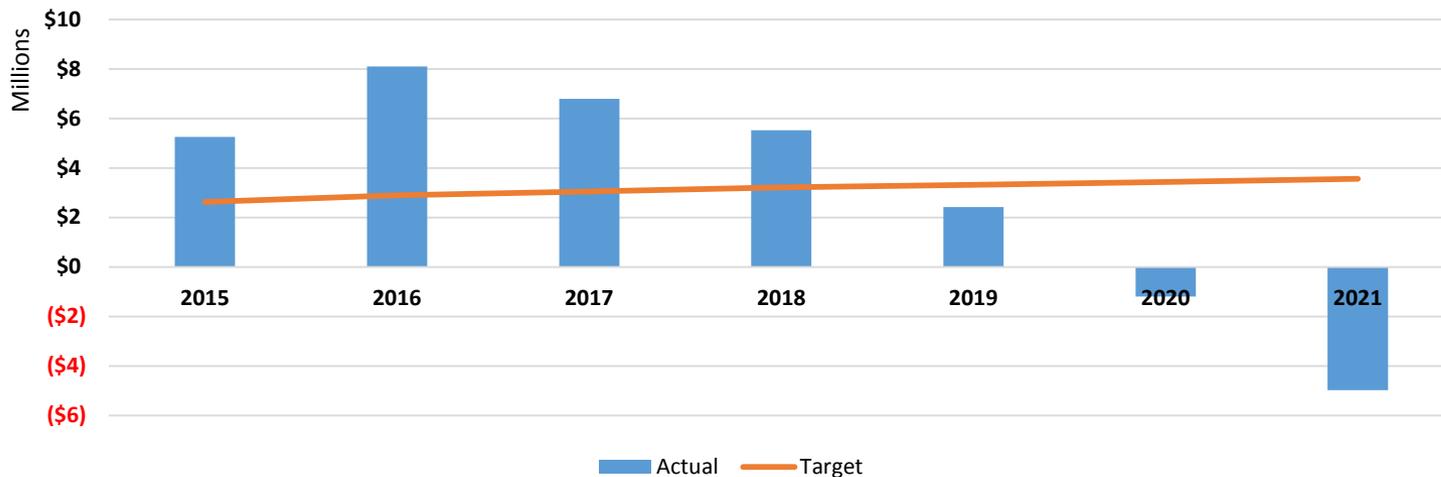
Water

WATER: Do Nothing

DSC (No Tap Fees)



Cash Reserves



WATER

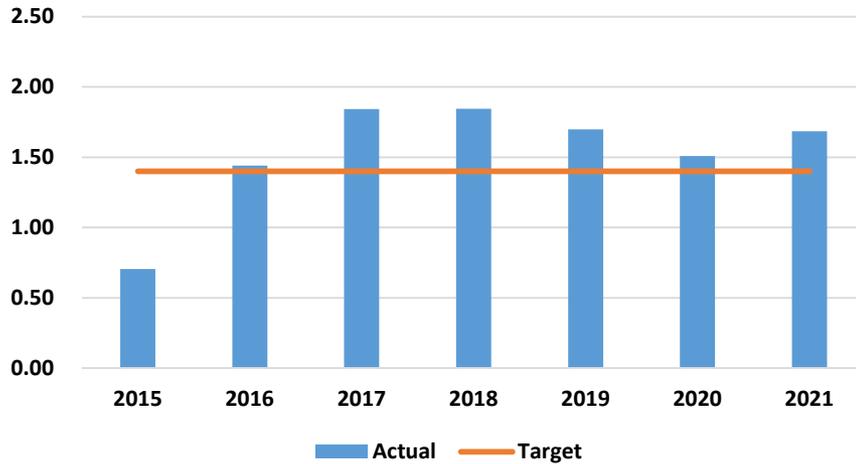
Financial Planning Alternatives

	2016	2017	2018	2019	2020	2021
Alternative 1 – “Just-In-Time” Revenue Increases (Immediate self-sufficiency)						
	32.1%	0.0%	0.0%	0.0%	0.0%	9.0%
Alternative 2 – “Smoothing” Revenue Increases (Transition to self-sufficiency)						
	13.0%	13.0%	6.0%	6.0%	5.0%	5.0%

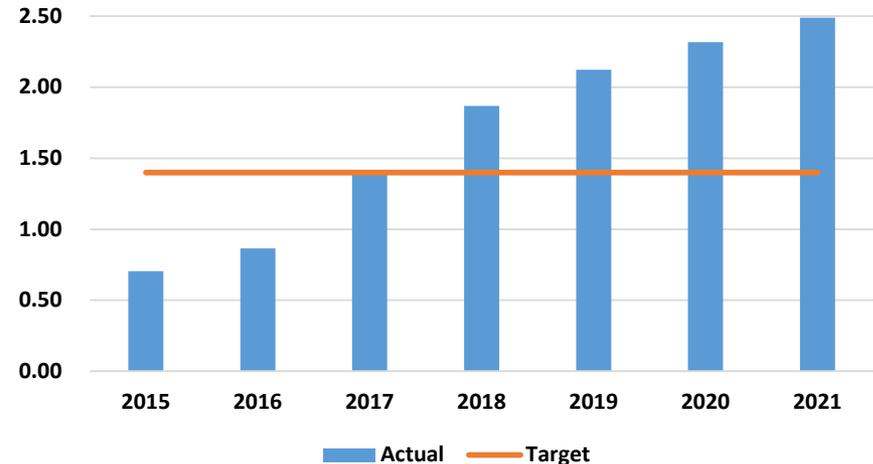
WATER

Financial Plan Alternatives

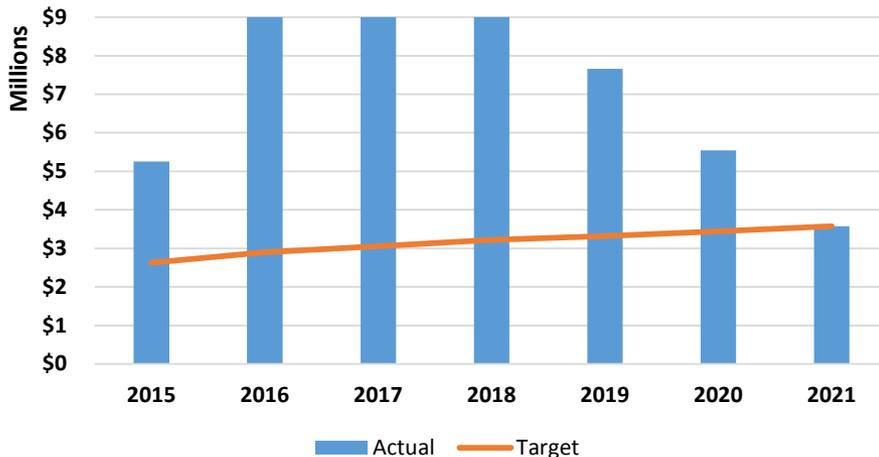
Just-In-Time: DSC (No Tap Fees)



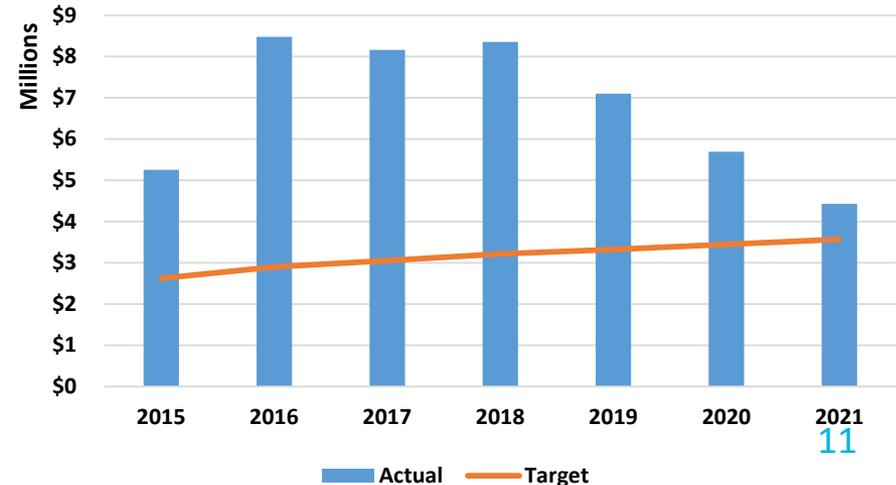
Smoothing: DSC (No Tap Fees)



Just-In-Time: Cash Reserves

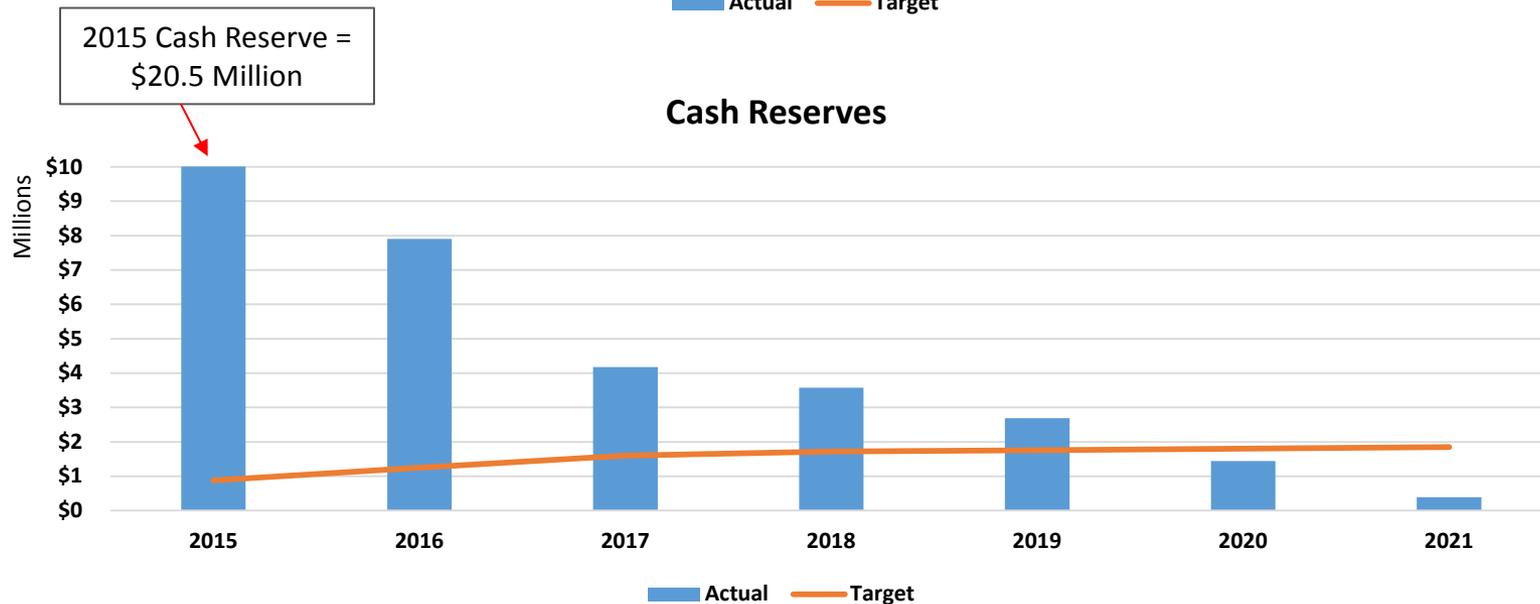
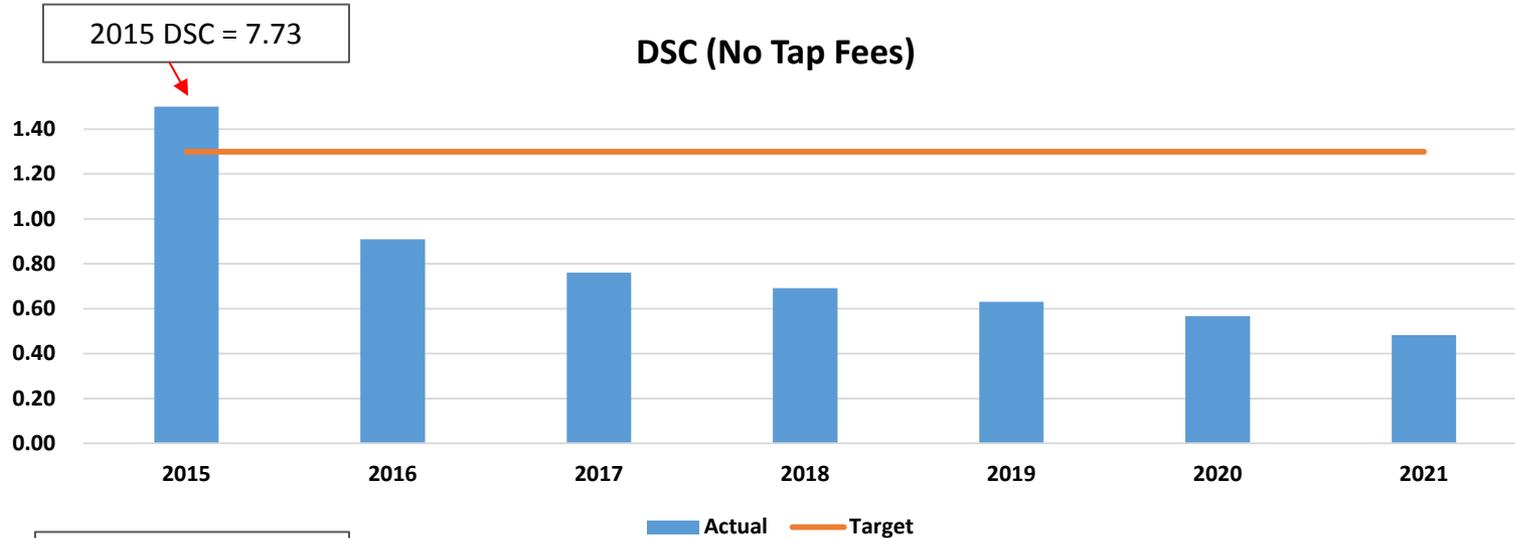


Smoothing: Cash Reserves



Wastewater

WASTEWATER: Do Nothing



WASTEWATER

Financial Planning Alternatives

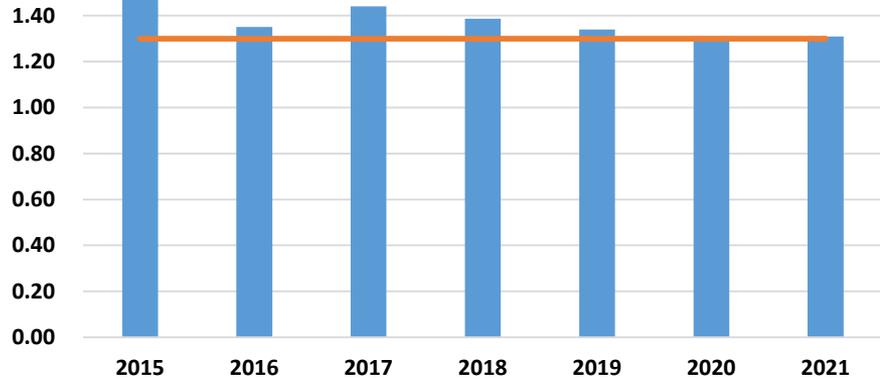
	2016	2017	2018	2019	2020	2021
Alternative 1 – “Just-In-Time” Revenue Increases						
(Immediate self-sufficiency)						
	31.0%	0.0%	0.0%	0.0%	0.8%	3.5%
Alternative 2 – “Smoothing” Revenue Increases						
(Transition to self-sufficiency)						
	13.0%	13.0%	2.0%	2.0%	2.0%	2.0%

WASTEWATER

Financial Plan Alternatives

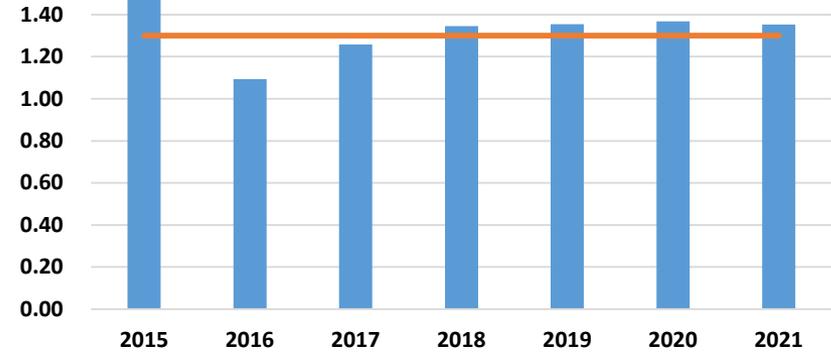
2015 DSC = 7.73

Just-In-Time: DSC (No Tap Fees)



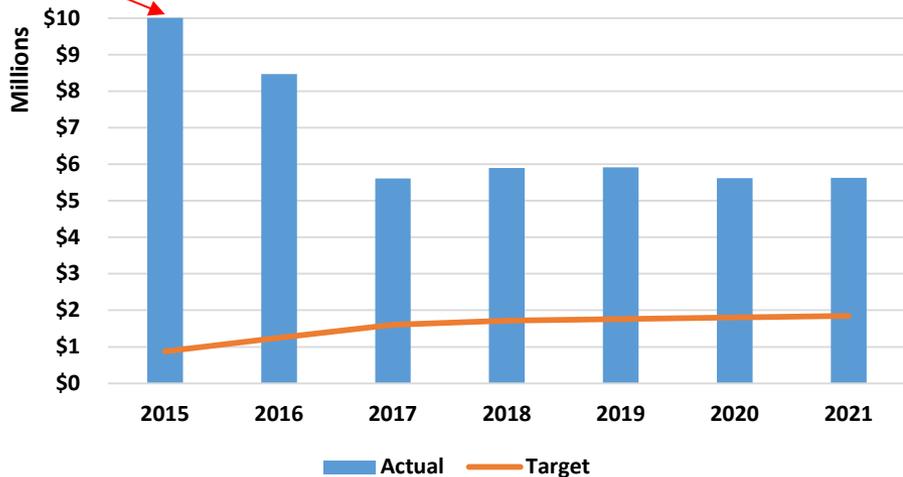
2015 DSC = 7.73

Smoothing: DSC (No Tap Fees)



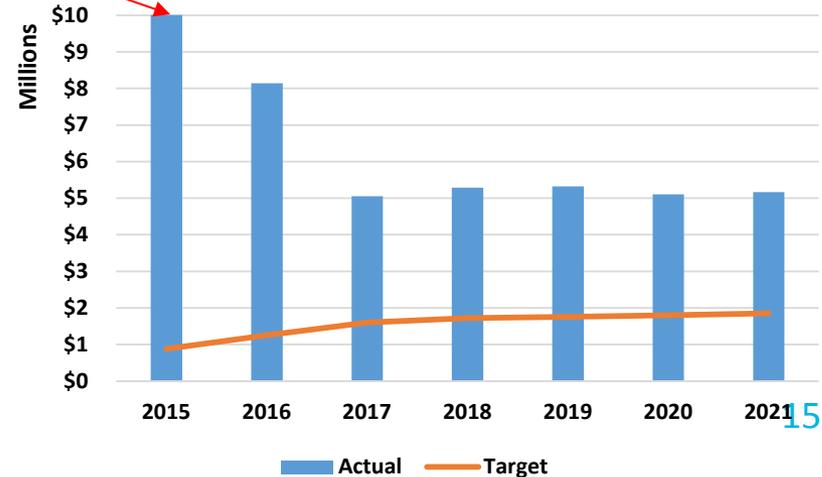
2015 Cash Reserve = \$20.5 Million

Just-In-Time: Cash Reserves



2015 Cash Reserve = \$20.5 Million

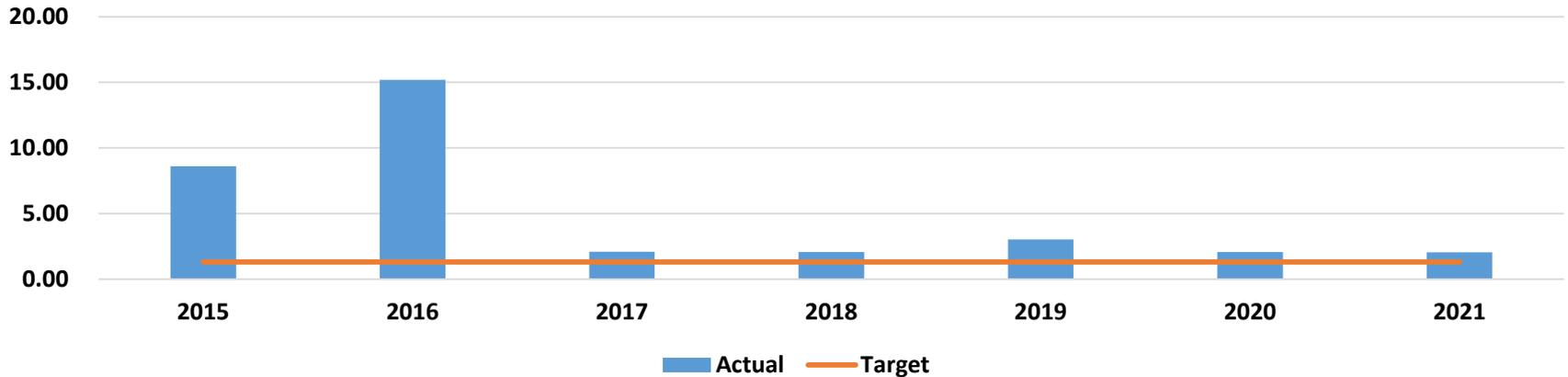
Smoothing: Cash Reserves



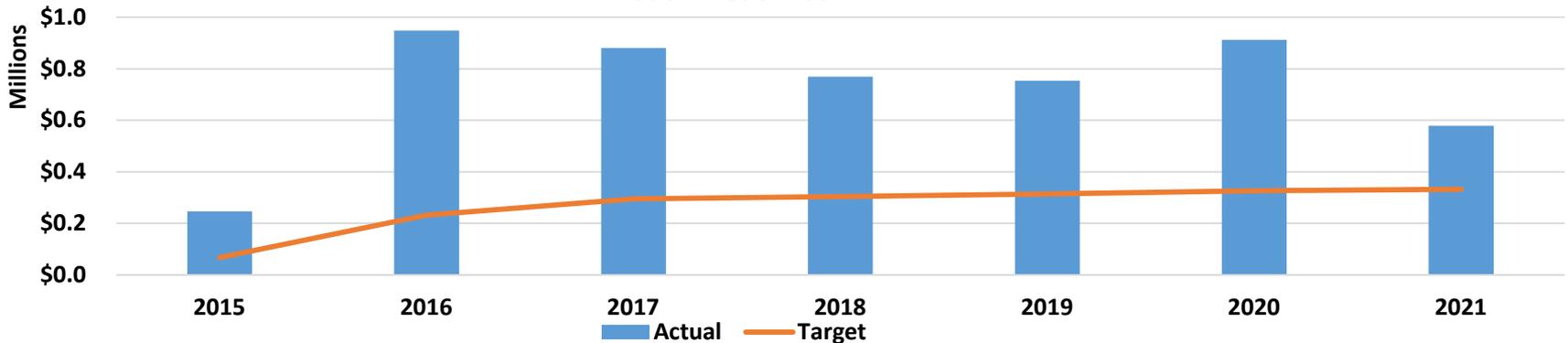
Stormwater

STORMWATER: Do Nothing (1)

DSC (No Tap Fees)



Cash Reserves



(1): Existing Stormwater rates are adequate, no increases recommended

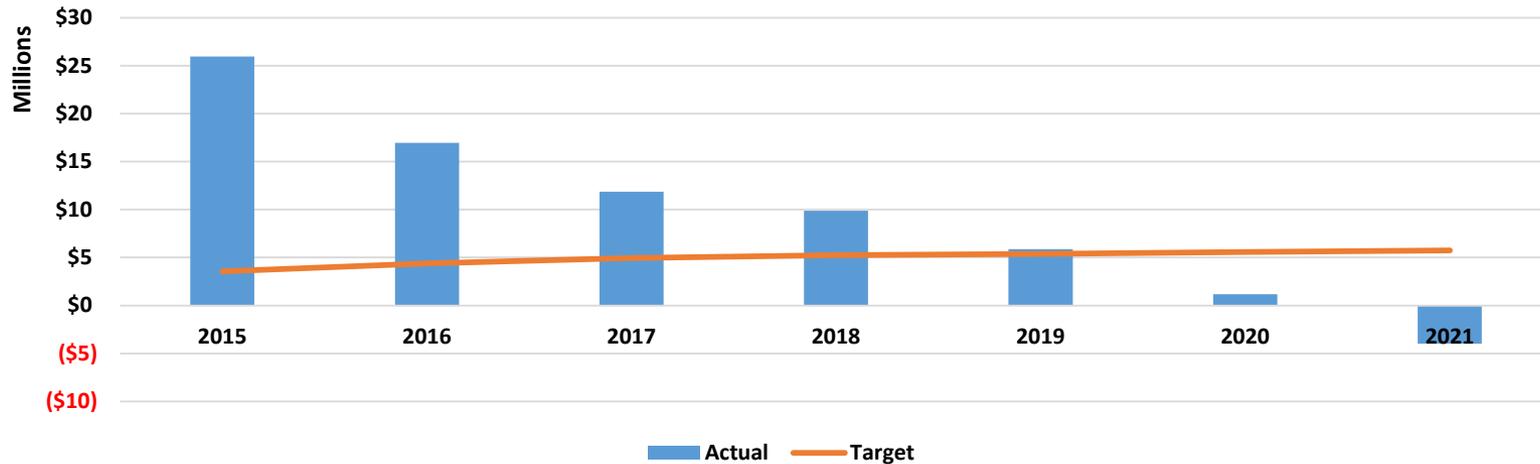
Combined

COMBINED: Do Nothing

DSC (No Tap Fees)



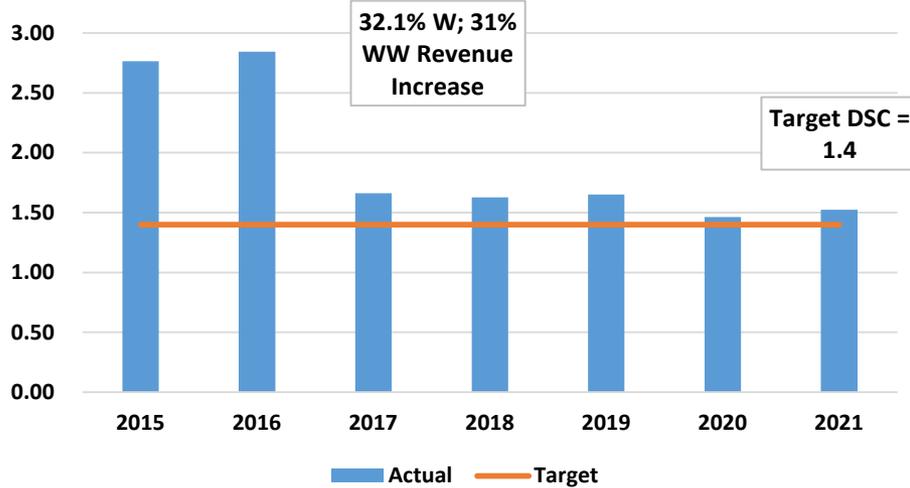
Cash Reserves



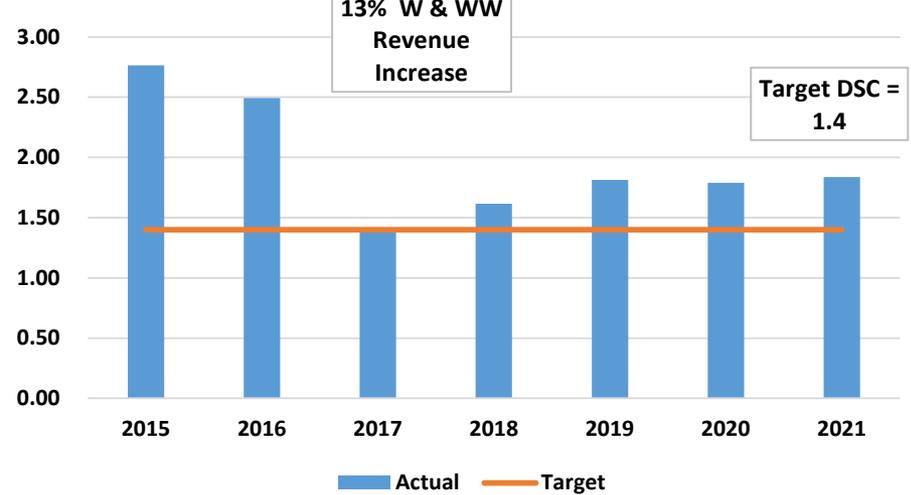
COMBINED

Financial Planning Alternatives

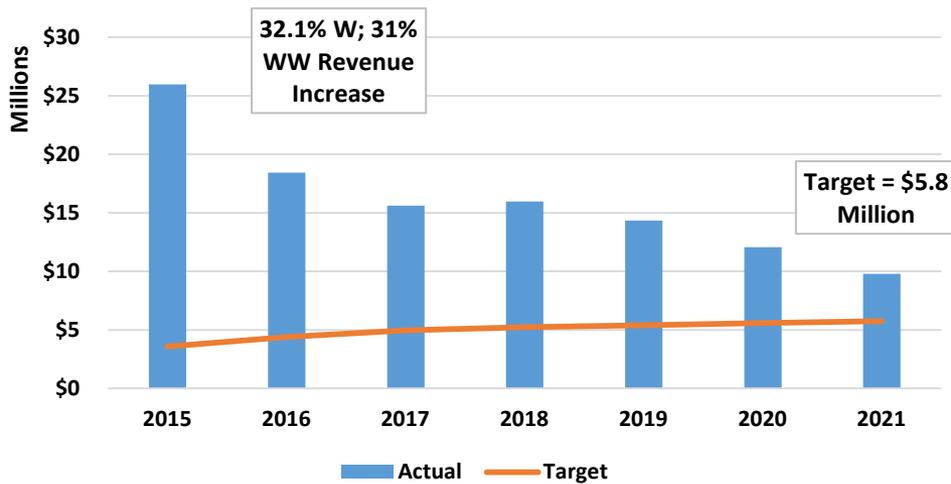
Just-In-Time: DSC (No Tap Fees)



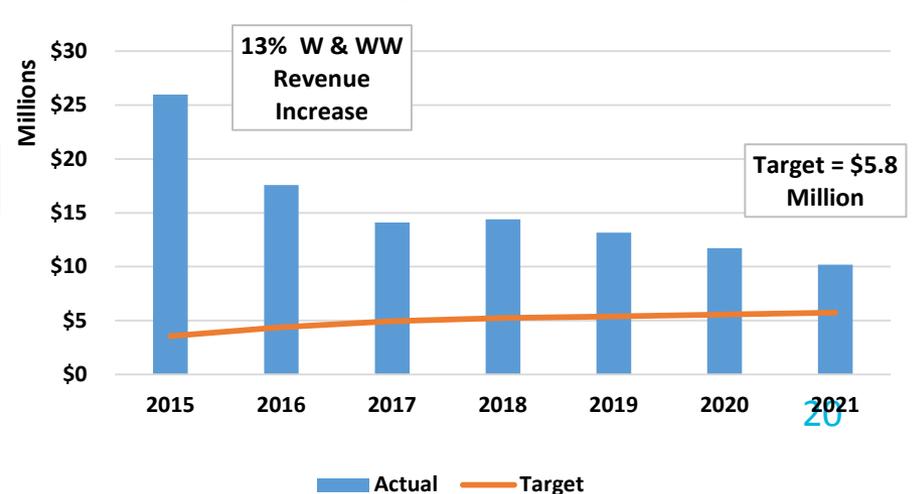
Smoothing: DSC (No Tap Fees)



Just-In-Time: Cash Reserves



Smoothing: Cash Reserves



Financial Planning Alternatives

	2016	2017	2018	2019	2020	2021
Alternative 2 – “Smoothing” Revenue Increases (Transition to self-sufficiency)						
Water	11.0% 13.0%	11.0% 13.0%	0.0% 6.0%	0.0% 6.0%	5.0%	5.0%
Wastewater	20.0% 13.0%	4.0% 13.0%	0.0% 2.0%	0.3% 2.0%	2.0%	2.0%
Stormwater	12.0% 0.0%	1.0% 0.0%	0.0% 0.0%	0.0% 0.0%	0.0%	0.0%
Combined (1)	16.6% 11.8%	5.7% 11.8%	0.0% 3.4%	0.2% 3.5%	3.1%	3.1%

Prior Study 2016 – 2019 Projected Revenue Increases in strikethrough text

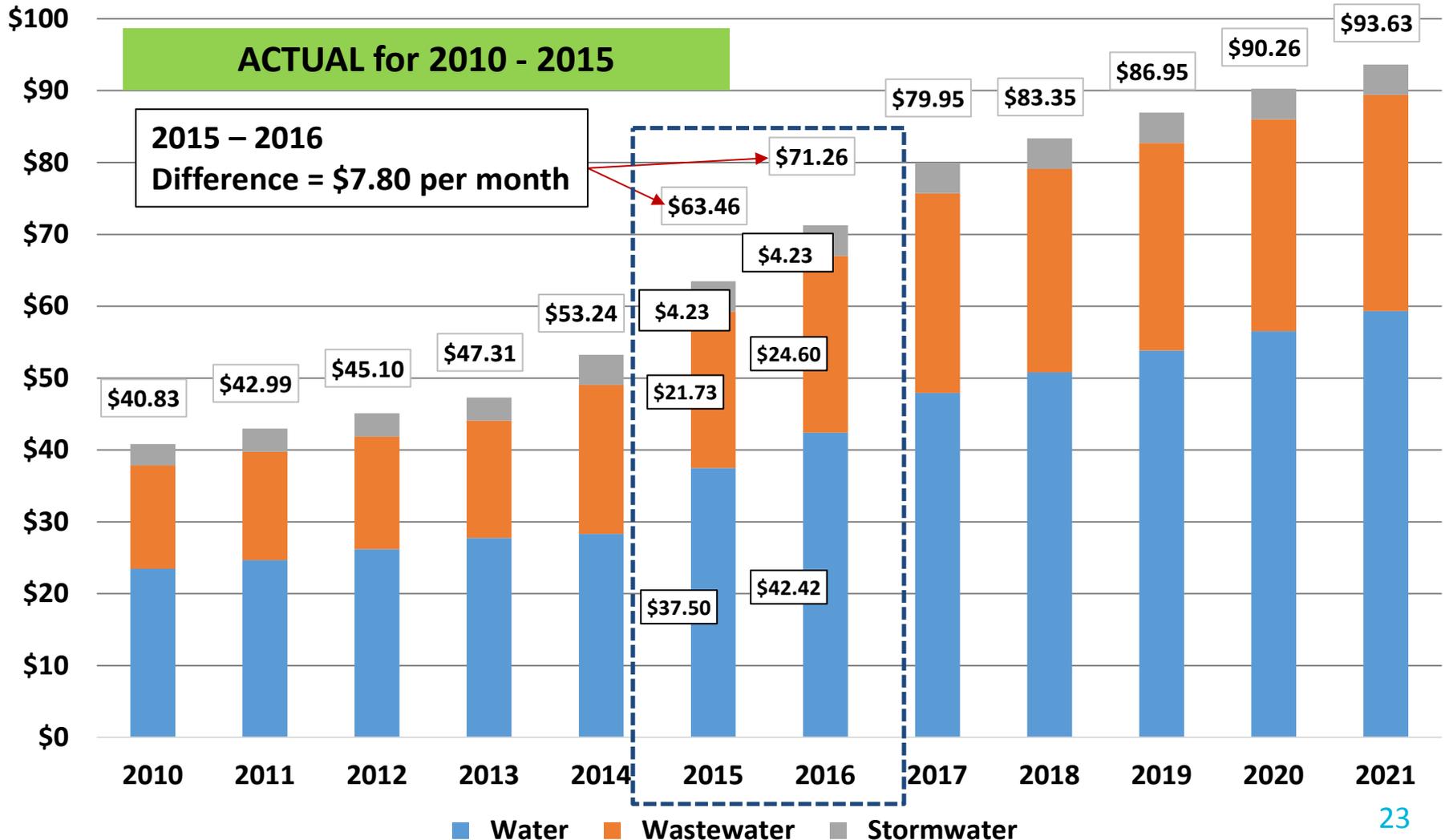
(1) Total water, wastewater, and stormwater utility bill increase

Financial Planning Alternatives

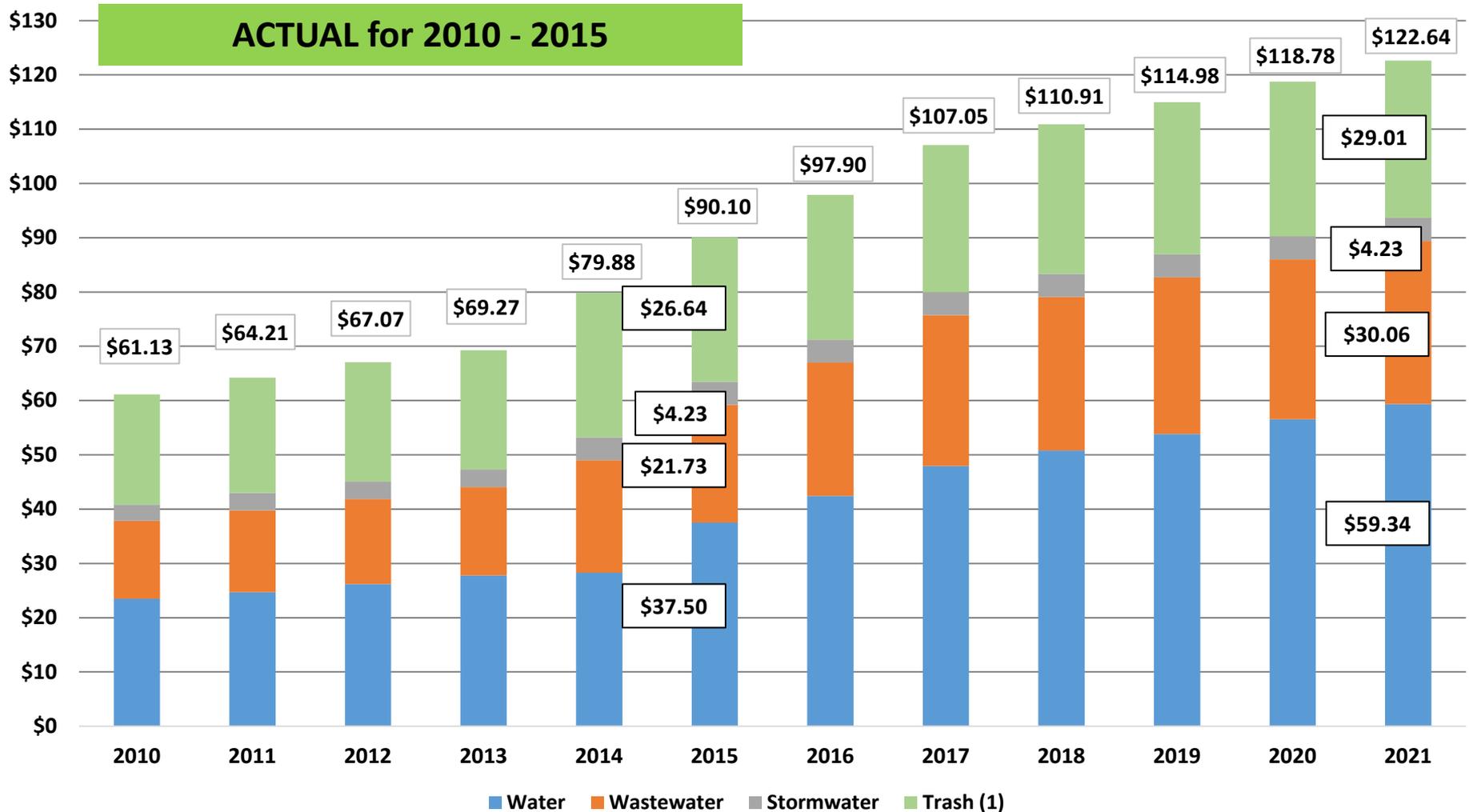
	2016	2017	2018	2019	2020	2021
Alternative 2 – “Smoothing” Revenue Increases (Transition to self-sufficiency)						
Water	13.0%	13.0%	6.0%	6.0%	5.0%	5.0%
Wastewater	13.0%	13.0%	2.0%	2.0%	2.0%	2.0%
Stormwater	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Combined (1)	11.8%	11.8%	3.4%	3.5%	3.1%	3.1%
Alternative 3 – “Smoothing” Revenue Increases <u>without City Streets CIP</u> (Transition to self-sufficiency)						
Water	13.0%	13.0%	3.0%	3.0%	3.0%	3.0%
Wastewater	13.0%	13.0%	2.0%	2.0%	2.0%	2.0%
Stormwater	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Combined (1)	11.8%	11.8%	2.2%	2.2%	2.3%	2.2%

(1) Total water, wastewater, and stormwater utility bill increase

Average Monthly Combined Residential Bill – “Smoothing”

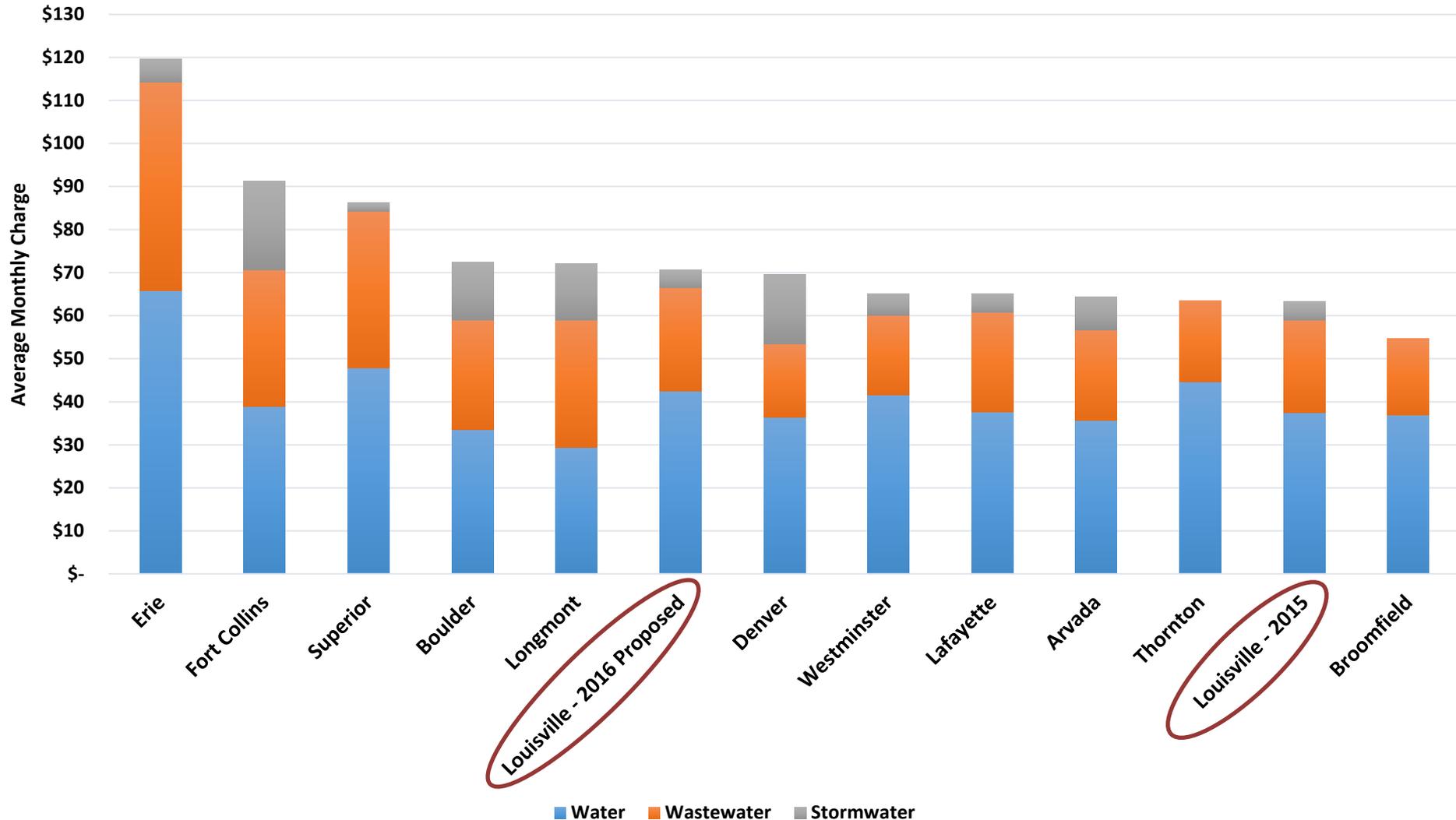


Average Monthly Combined Residential Bill (Including Trash)



(1): 2017 – 2021 trash rates assume an annual 1.72% increase, equal to the 2012 – 2014 average annual Consumer Price Index – All Urban Consumers (CPI-U) inflation

Average Monthly Water, Wastewater, & Storm 2015 Rates (Single Family Residential)*



* Note: All bills are calculated based on available 2015 rates from each Utility's website with the exception of **Louisville – Proposed** which are proposed 2016 rates.

Discussion

SUBJECT: 2016 UTILITY RATE INCREASE

DATE: MARCH 8, 2016

PRESENTED BY: KURT KOWAR, PUBLIC WORKS DEPARTMENT

SUMMARY:

In 2015/2016 City staff and Raefalis Financial Consultants completed a rate evaluation for the water, wastewater, and stormwater funds. This process was an update to the 2014/2015 rate increase with the overall goals of ensuring that rates and fees continue to generate sufficient revenue to sustain utility operations and facilitate effective planning and budgeting. The results of this Utility Rate Study have been presented to the Water Committee.

Similar to the prior rate analysis, adjustments were presented with two options, a “Just-in-Time” scenario where funds would become independent in one year, and a “Smoothing” scenario where funds would reach self-sufficiency in 5-8 years. It is recommended that the Smoothing scenario continue to be utilized to minimize large jumps in increases and to distribute increases over time. The table below shows the 5 year increases based upon financially modeling with the strike through text representing the 2014/2015 study for comparison.

Table 1 Summary of “Smoothing” Financial Plan Scenario Indicated Rate Revenue Increase						
Utility	2016	2017	2018	2019	2020	2021
Water	11.0% 13.0%	11.0% 13.0%	0.0% 6.0%	0.0% 6.0%	5.0%	5.0%
Wastewater	20.0% 13.0%	4.0% 13.0%	0.0% 2.0%	0.3% 2.0%	2.0%	2.0%
Stormwater	12.0% 0.0%	1.0% 0.0%	0.0% 0.0%	0.0% 0.0%	0.0%	0.0%
Combined ^(a)	16.6% 11.8%	5.7% 11.8%	0.0% 3.4%	0.2% 3.5%	3.1%	3.1%

FISCAL IMPACT:

The recommended increases will continue the process of matching Utility revenue with projected expenses for operations and capital improvement needs. The average water, wastewater, and stormwater utility bill will increase from \$63.46 per month to \$71.26 per month.

SUBJECT: 2016 UTILITY RATE INCREASE

DATE: MARCH 8, 2016

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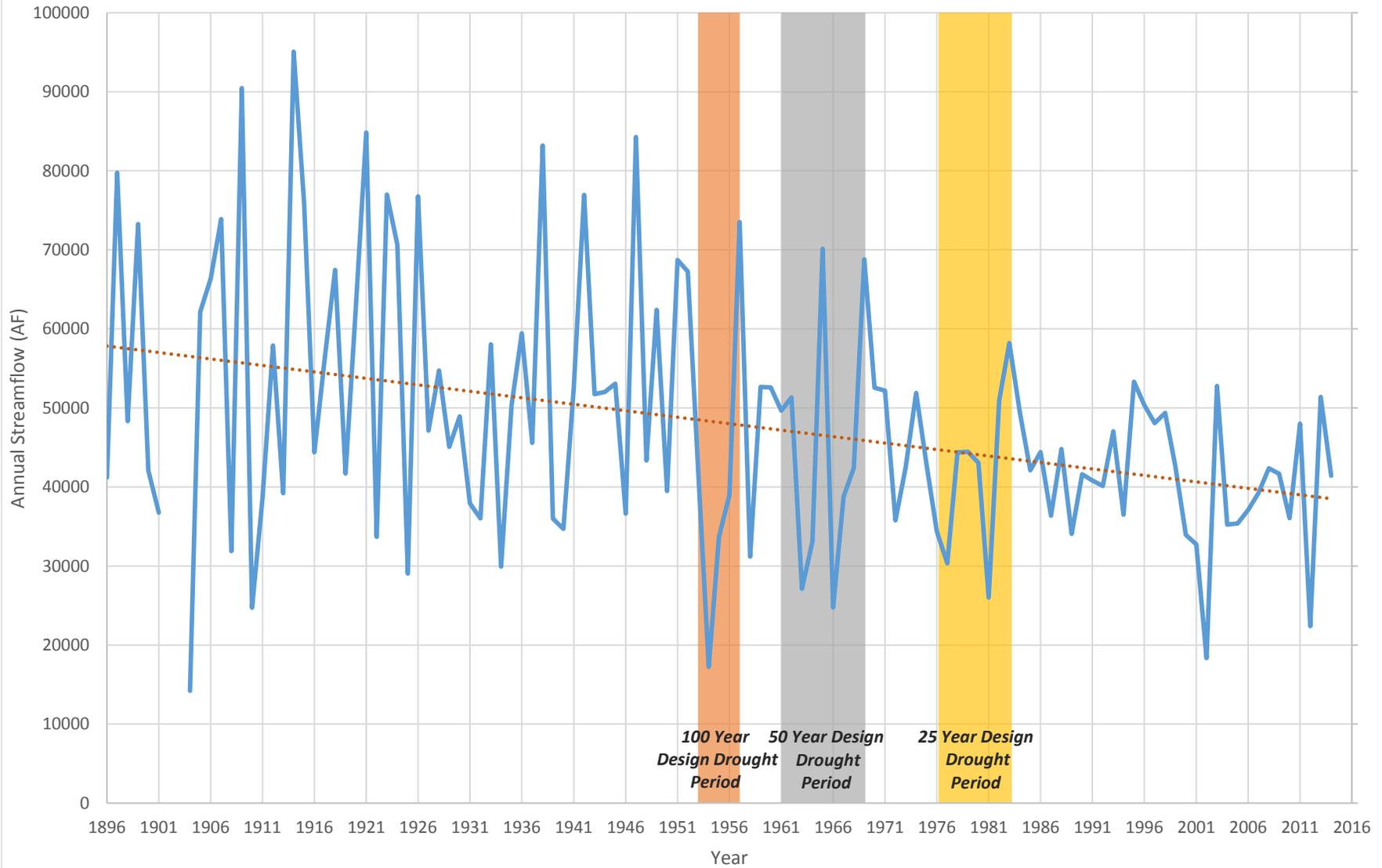
RECOMMENDATION:

Staff recommends approval to increase utility rates for the 2016 calendar year in the amount of 13.0% for water and 13.0% for wastewater. An increase to stormwater is not being sought as part of this evaluation period

ATTACHMENT(S):

1. City of Louisville Utility Rate Update Report
2. Resolution

South Boulder Creek near Eldorado Springs
Annual Streamflow
1896-2014



Compare-Contrast between Design Drought Intervals

Design Drought	25-year	50-year	100-year
Demands			
Drought Action Goals	10 – 20 % Annual Demand Reduction	20 - 30 % Annual Demand Reduction	50 – 90 % Annual Demand Reduction
a. Outdoor Uses	Voluntary Restrictions	Mandatory Restrictions	No Outdoor Use
Supplies			
a. Reuse	Available (limited)	Not Available	Not Available
b. Windy Gap	Currently Not Available	Currently Not available	Currently Not Available
c. C-BT	1,446 acre-feet	1,033 acre-feet	690 acre-feet
d. SBC Yields	2,800 acre-feet	2,300 acre-feet	2,000 acre-feet
e. Marshall Res.	1725 – 1380 acre-feet	1380 – 865 acre-feet	= < 865 acre-feet

Reuse = Amount of reusable effluent generated from the wastewater treatment plant

Windy Gap = Water derived from Windy Gap Firming Project

C-BT = Colorado-Big Thompson Project Water

SBC = South Boulder Creek water rights

Stream Supplies

Design Drought	25-year	Supply Difference (25 to 50 yr)	50-year	Supply Difference (50 to 100 yr)	100-year
Supplies					
f. C-BT	1,446 acre-feet	(413 acre-feet)	1,033 acre-feet	(343 acre-feet)	690 acre-feet
g. SBC Yields	2,800 acre-feet	(500 acre-feet)	2,300 acre-feet	(300 acre-feet)	2,000 acre-feet
Totals	4,246 acre-feet	(913 acre-feet)	3,333 acre-feet	(843 acre-feet)	2,690 acre-feet