

North Salt Lake City Davis County, Utah

Discussion of:
Culinary Water, Secondary Water and Storm Water Rates

Presented By:
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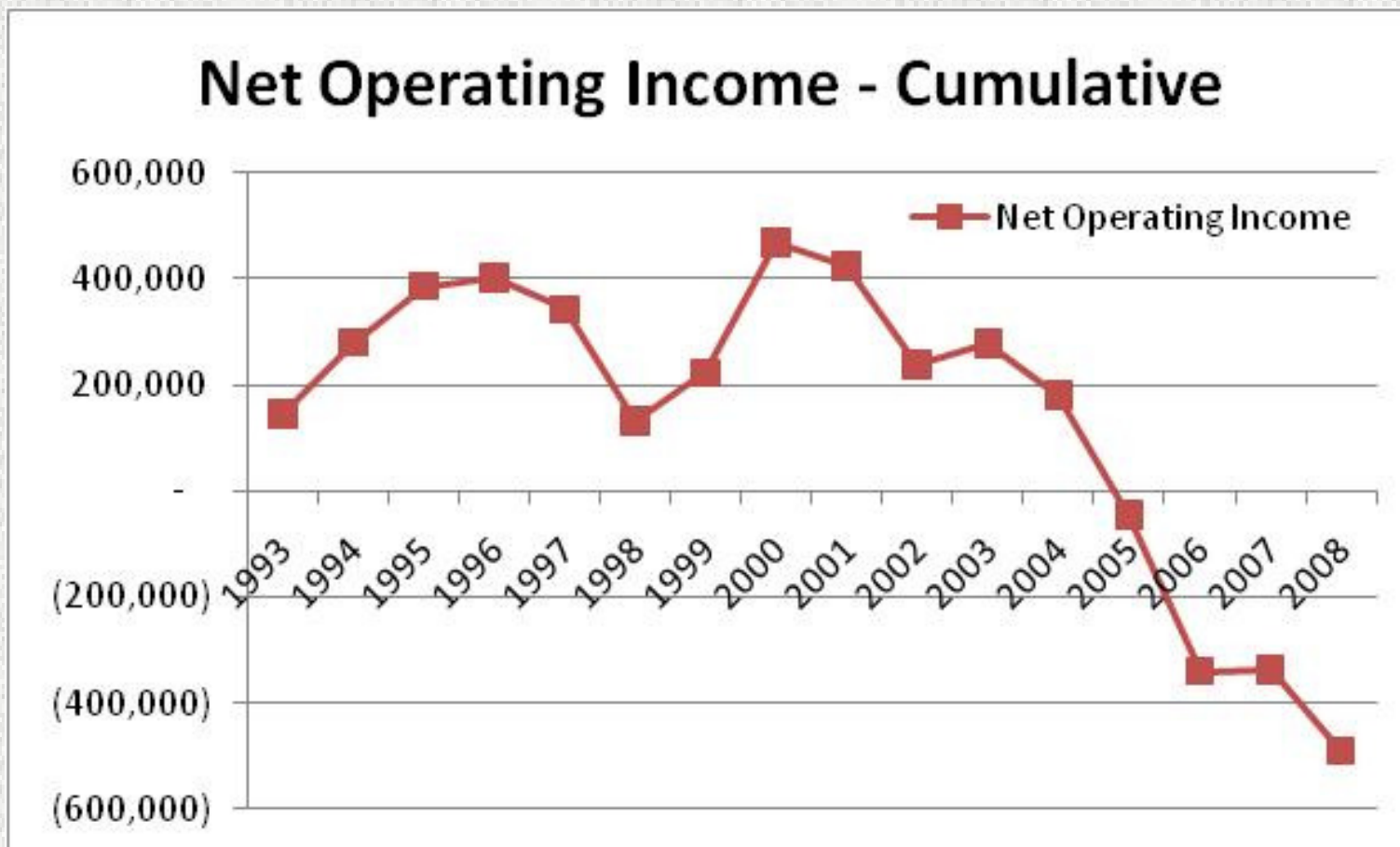
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CURRENT ISSUES WITH UTILITY RATES

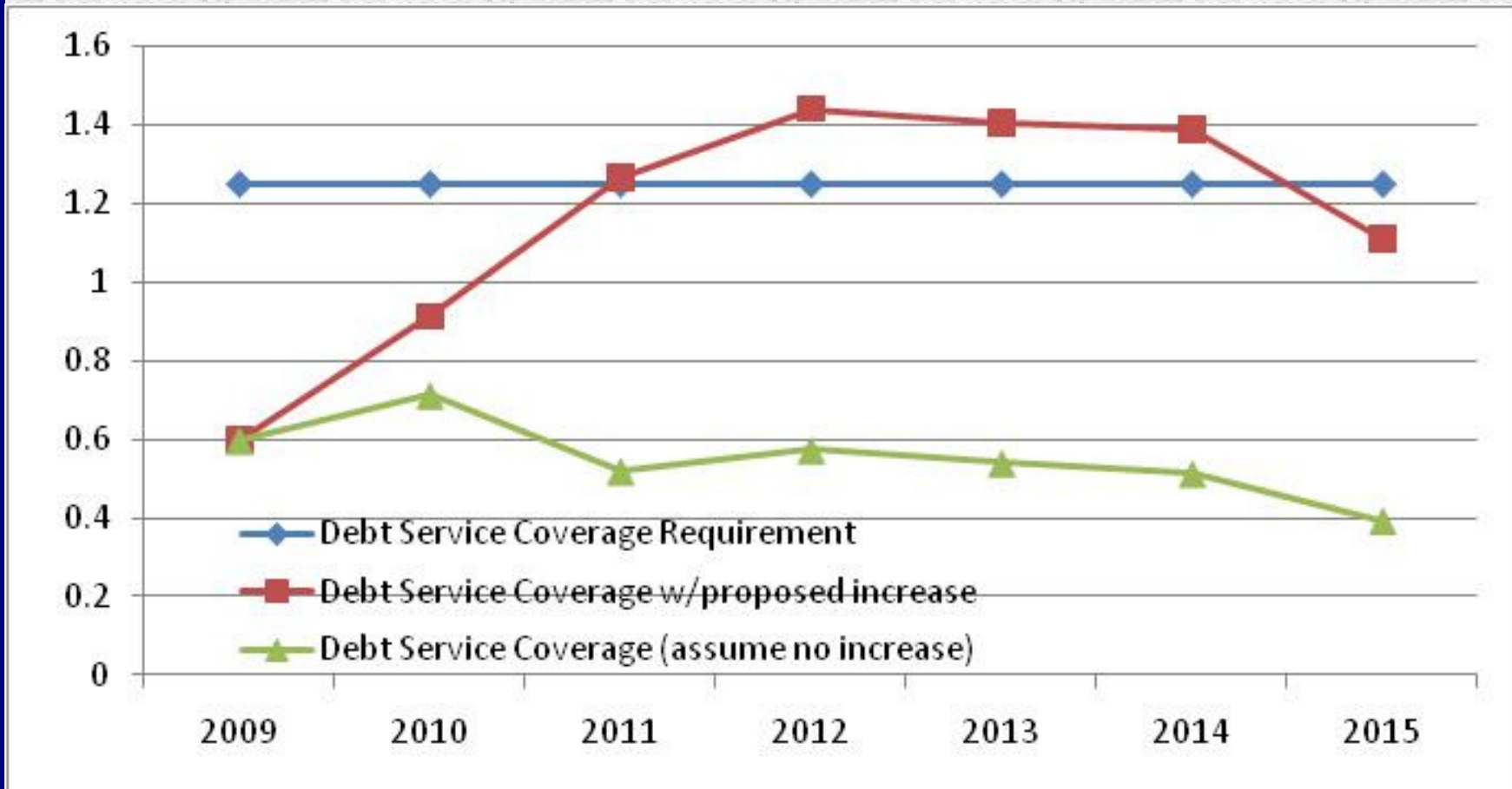
- Culinary rates have not been updated since Feb 2004; storm rates were set in 2008, but have proven to be insufficient to cover operating expenses of system
- Both culinary and storm water funds showed negative unreserved cash balances as of the end of FY 2009
- The existing culinary and storm water systems are aging and a responsible repair program needs to be started soon
- Current rate structure does not equitably assess costs of the system to the users placing the demands on the system
- Current rates are insufficient to cover annual operating expenses, much less build up any cash reserve for much needed repair & replacement projects
- The culinary, secondary, and storm water sub-funds should all be self-sustaining, and ensure that each customer type pays its fair share of the fund's expenses

OPERATING INCOME SUMMARY



DEBT SERVICE COVERAGE

The City has issued water revenue bonds whose terms require a 1.25 ratio of expected revenues to expected expenses



CAPITAL NEEDS OF THE WATER SYSTEMS

Culinary Water System

- ☞ City has many water lines made of cast iron in dire need of replacement
- ☞ Additionally, many lines in the City are 30-40 years old, with a useful life of 50 years; will need replacement in the near future
- ☞ Some lines need to be upsized, and while the expansion portion of the lines can be funded with impact fees, the replacement portion of the lines will need to be funded with the enterprise fund

Storm Water System

- ☞ SWPPP* requirements have increased maintenance costs of storm water systems
- ☞ Much of the storm water system is 30-40 years old, and will need to be replaced

* SWPPP Storm Water Pollution Prevention Plan







OVERVIEW OF UTILITY RATES

- ☞ Utility rates are structured to cover the expenses of the related enterprise fund
- ☞ While the City maintains one water enterprise fund, this fund is divided into three sub-funds: culinary water, secondary water and storm water
- ☞ While the three sub-funds are combined for accounting purposes, each is tracked separately and intended to be self sufficient
- ☞ The City sets these rates to cover certain expenses and amass reserves
- ☞ Expenses included in the calculations of the rates include:
 - ☞ Operational & Maintenance (O&M) expenses
 - ☞ Capital Leases/Outstanding Debt/Future Debt
 - ☞ Capital Repair & Replacement Reserve Fund
 - ☞ O&M Reserve Fund
- ☞ Recommended that City strive to amass 6 months O&M reserve and 1-2 years capital repair & replacement reserve (minimum)

GOALS OF THE RATE ANALYSIS

- ☞ Strive to have each sub-fund self sufficient
- ☞ Do away with subsidies among different user types: (historically all users pay same rates)
- ☞ Encourage conservation among culinary and secondary water users
- ☞ Work towards equity in charges – actual demand = monthly payment
- ☞ Maintain a healthy water fund; focus on bond ratings

OVERVIEW OF CULINARY WATER

-  Culinary water system serves most of the City with indoor water and all but Foxboro and Hillside Gardens for outdoor water needs
-  Culinary water service is provided by a connection to Weber Basin Water Conservancy District, 4 wells and 1 spring; water is pumped to a storage tank and distributed up and down the hill to development in the City
-  City faces several challenges:
 -  Elevation
 -  Sufficient water source for all development
 -  Lack of development and impact fee revenues

CULINARY WATER RATES

- ⌘ While water system expenses continue to increase, rates have stayed fixed the last 6 years; causing shortfalls in the fund
- ⌘ Issues with current user categories & rate structure
 - ⌘ Same base rate for all users
 - ⌘ Lack of real conservation based overage tiers
 - ⌘ No multi-family category – users have been under charged
 - ⌘ Need new category for those w/separate outdoor water
- ⌘ Addition of category for users with separate outdoor watering system – Foxboro and Hillside Gardens

RECOMMENDED CULINARY WATER BASE RATES (excluding Foxboro & Hillside Gardens)

Meter Size	Demand Unit	2010 Base Rates
3/4"	1.00	22.00
1"	1.40	31.00
1.5"	2.80	62.00
2"	4.00	89.00
3"	6.00	133.00
4"	8.00	178.00
6"	20.00	444.00
		-

Residential meters base rate includes 8,000 gallons water

Commercial meters base rate includes 10,000 gallons water

CURRENT BASE RATES

Meter Size	Current Rates
3/4"	\$ 18.00
1"	18.00
1.5"	18.00
2"	18.00
3"	18.00
4"	18.00
6"	18.00

Base Rate Includes 10,000 gallons

PROPOSED CULINARY WATER OVERAGE RATES (excluding Foxboro & Hillside Gardens)

Residential Above 350 E

Low Tier	High Tier	2010 Rates
8,001	30,000	1.40
30,001	75,000	1.65
75,001	100,000	2.20
100,001	9,999,999,999	3.00

Base Rate Includes 8,000 gallons

3/4" Without Secondary Water Below 350 E

Low Tier	High Tier	2010 Rates
8,001	30,000	\$ 1.10
30,001	75,000	1.40
75,001	100,000	1.90
100,001	9,999,999,999	3.00

Base Rate Includes 8,000 gallons

OTHER CULINARY WATER OVERAGE RATES

Commercial Meters			
Low Tier	High Tier	2010	
10,001	9,999,999,999	\$	1.40

Multi Family Units		
2010		
Multi Unit (charge per unit)	\$	14.00
5,000 gallon allotment per unit, then commercial rates apply		

3/4" With Secondary Water (Foxboro & Hillside Gardens)			
Low Tier	High Tier	2010 Rates	
Base Rate		\$	15.00
6,001	10,000	\$	0.90
10,001	20,000		1.50
20,001	9,999,999,999,999		3.00
Base Rate Includes 6,000 gallons			

CURRENT OVERAGE RATES

Overage Charges Above 350 E			
Low Tier	High Tier		Current Rate
10,001	30,000	\$	1.30
30,001	75,000		1.55
75,001	9,999,999,999		2.05

Overage Charges Below 350 E			
Low Tier	High Tier		Current Rate
10,001	30,000		1.05
30,001	75,000		1.30
75,001	9,999,999,999		1.80

Commercial Overage Charges			
Low Tier	High Tier		Current Rate
10,001	30,000		1.05
30,001	9,999,999,999		1.30

RATE COMPARISONS: Current v. Proposed

Customer Type	# Customers (2008)	Total Usage (2008)	Avg Annual Usage/Customer	Avg Monthly Usage/Customer	Old Rate	New Rate	\$ Increase
3/4" above 350 E	1,159	292,169	252.09	21.01	\$ 33.20	\$ 38.80	\$ 5.60
1" above 350 E	392	104,787	267.31	22.28	34.30	49.20	14.90
3/4" below 350 E	2,228	173,813	78.01	6.50	18.00	22.00	4.00
3/4" w/Secondary	N/A	N/A	N/A	15.00	23.25	30.00	6.75
1" Commercial	182	96,863	532.21	44.35	58.50	80.05	21.55
1.5" Commercial	42	26,360	627.62	52.30	55.90	71.20	15.30
2" Commercial	24	55,772	2,323.83	193.65	252.20	346.31	94.11
4" Commercial	11	33,095	3,008.64	250.72	326.30	514.81	188.51
6" Commercial	4	23,917	5,979.25	498.27	650.00	1,129.53	479.53

* Usage figures shown are in thousands of gallons

CULINARY FUND FORECAST

<i>TOTAL REVENUE REQUIREMENT</i>	2010	2011	2012	2013	2014	2015
Annual Expenses	\$ (2,478,244)	\$ (2,759,852)	\$ (2,695,867)	\$ (2,767,069)	\$ (2,828,994)	\$ (3,087,989)
Other Revenue Sources	185,300	190,029	194,883	199,866	204,981	210,232
Need to Generate through User Rates	\$ 2,292,944	\$ 2,569,823	\$ 2,500,983	\$ 2,567,203	\$ 2,624,013	\$ 2,877,756
Expected Revenues	2,231,486	2,816,625	2,858,874	2,901,757	2,945,284	2,989,463
Reserve Fund Contribution	\$ (61,458)	\$ 246,802	\$ 357,891	\$ 334,555	\$ 321,271	\$ 111,707

☞ Expected Revenues based on 2008 usage

☞ Buffer between needed revenues and expected revenues – needed to offset any shortfall due to reduced usage; any excess will go to much needed reserve

☞ Overage revenues account for close to 50% of total revenues generated; don't want conservation to have negative impact on enterprise fund

PROPOSED SECONDARY WATER RATES (FOXBORO & HILLSIDE GARDENS)

- Due to shortage of excess culinary water supply, the City has contracted with Weber Basin Water Conservancy District (WBWCD) to provide secondary water for outdoor watering needs to the Foxboro Development
- Total system cost: \$5 Million (approx)
- Anticipated users at build-out: 2,000 connections
- Current number of connections: 1,200 (approx)
- Agreement with WBWCD requires City to purchase each year the total amount of water needed at build-out
- Assuming service area 100% built out, rate per equivalent residential unit (ERU; equivalent of one household) would be in the range of \$9-10/month

PROPOSED SECONDARY WATER RATES

Meter Size	Demand Unit	2010 Base Rate
3/4"	1.0	\$ 15.00
1"	1.4	21.00
1.5"	2.8	42.00
2"	4.0	60.00
4"	8.0	120.00

Base Rate Includes 10,000 gallons

Residential Overage Rates

Minimum	Maximum	2010 Rates
0	10,000	-
10,001	20,000	1.05
20,001	40,000	1.20
40,001	9,999,999,999,999	2.50

Non-Residential Overage Rates

Minimum	Maximum	2010 Rates
0	10,000	-
10,001	9,999,999,999,999	1.05

CURRENT OVERAGE RATES

Low Tier	High Tier	Current Rate
10,001	30,000	1.05
30,001	75,000	1.30
75,001	9,999,999,999	1.80

SECONDARY WATER FUND FORECAST

<i>TOTAL REVENUE REQUIREMENT</i>	2010	2011	2012	2013	2014	2015
Annual Expenses	\$ (268,936)	\$ (275,815)	\$ (282,876)	\$ (290,125)	\$ (297,566)	\$ (305,206)
Other Revenue Sources	10,176	11,210	12,468	13,788	15,174	16,627
Need to Generate through User Rates	\$ 258,760	\$ 264,605	\$ 270,408	\$ 276,337	\$ 282,393	\$ 288,579
Expected Revenues	284,110	291,213	298,493	305,956	313,604	321,444
Reserve Fund Contribution	\$ 25,350	\$ 26,608	\$ 28,085	\$ 29,619	\$ 31,212	\$ 32,866

STORM WATER RATES

- ☰ Unfunded federal mandate created need for this fund
- ☰ Fund established beginning of FY 2008
- ☰ Current assessment of rates causes significant inequity in the revenue collected v. demands placed on storm water system
- ☰ Rates not assessed according to Ordinance, has caused shortfall of revenues
- ☰ Recommendations/Options

STORM WATER RATES

Proposed Storm Water Rate Structure

Rate Assessment for first ESU

Storm Water Rate for first ESU (all development)	\$	4.00
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Rate Assessment for multiple ESUs

Fee per ESU for ESUs 2-25	\$	3.00
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Fee per ESU for ESUs 26-75		2.00
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Fee per ESU for ESUs 76+		1.00
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ESU = equivalent surface unit; 3,900 sf of impervious area

STORM WATER RATE COMPARISONS

Storm Water Rates	Old Rate	New Rate	\$ Increase
1 ESU	\$ 3.00	\$ 4.00	\$ 1.00
25 ESUs	3.00	76.00	73.00
50 ESUs	3.00	126.00	123.00
75 ESUs	3.00	176.00	173.00

REVENUE REQUIREMENT SUMMARY

<i>TOTAL REVENUE REQUIREMENT</i>	2010	2011	2012	2013	2014	2015
Annual Expenses	\$ (376,862) \$	(380,876) \$	(363,482) \$	(346,207) \$	(350,593) \$	(355,111)
Other Revenue Sources	-	-	-	-	-	-
Need to Generate through User Rates	\$ 376,862 \$	380,876 \$	363,482 \$	346,207 \$	350,593 \$	355,111
Expected Revenues	213,103	344,894	362,138	380,245	399,257	419,220
Reserve Fund Contribution	\$ (163,759) \$	(35,983) \$	(1,344) \$	34,038 \$	48,664 \$	64,109