

Joint Meeting of Utility Rate Task Force and City Council Water Committee

 CITY OF
LOUISVILLE

 City of
Louisville
COLORADO • SINCE 1878

Meeting No. 4
October 21, 2013


RAFFELIS
FINANCIAL CONSULTANTS, INC.

Agenda

- **Financial plan**
- **Cost of service**
- **Rate structure**
- **Preliminary 2014 rates and bill impacts**
- **System development charges**
- **Next steps**



Financial Plan Alternatives

3 Financial Plan Alternatives

- 1. No rate increases through 2018**
- 2. Just-in-time rate increases - immediate self-sufficiency for each utility**
- 3. Smooth rate increases - transition to self-sufficiency for each utility**

3 Financial Planning Alternatives

Revenue Percentage Increases

	2014	2015	2016	2017	2018
Alternative 1 – No Rate Increases					
Alternative 2 – Just-in-Time Rate Increases (Immediate self-sufficiency)					
Water	0%	4.5%	1.6%	1.6%	0.3%
Wastewater	0%	92.5%	0.8%	2.4%	2.7%
Stormwater	0%	107.2%	0%	8.4%	0%
Combined	0%	60.4%	0.8%	2.9%	1.7%
Alternative 3 – Smooth Rate Increases (Transition to self-sufficiency)					
Water	3.0%	3.0%	0%	1.6%	0.3%
Wastewater	43.0%	43.0%	0%	0%	0%
Stormwater	50.0%	50.0%	0%	0%	0%
Combined	28.4%	31.6%	0%	0.4%	0.1%

Review of
Financial Plan Handouts
(previously distributed)

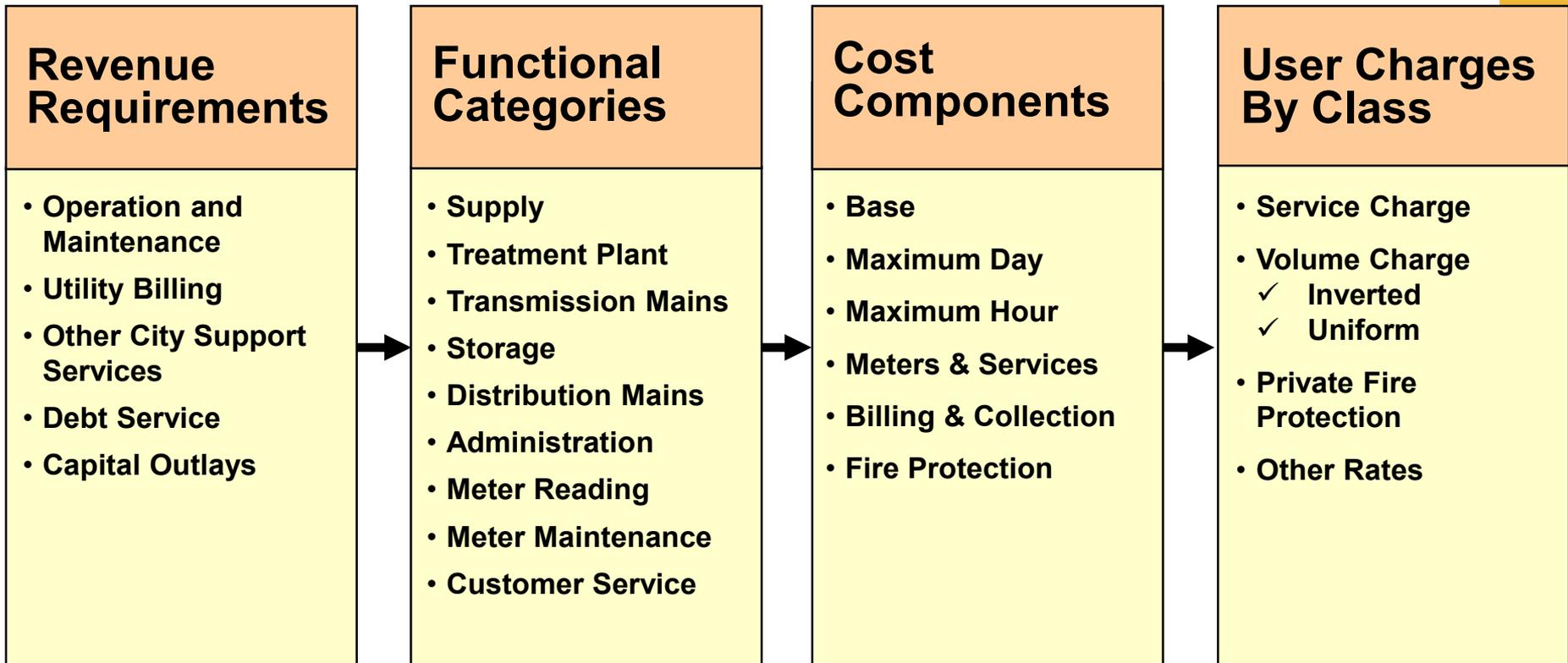
Key Decision Point

- Financial Plan
 - Which alternative – just-in-time or smooth rate increases?

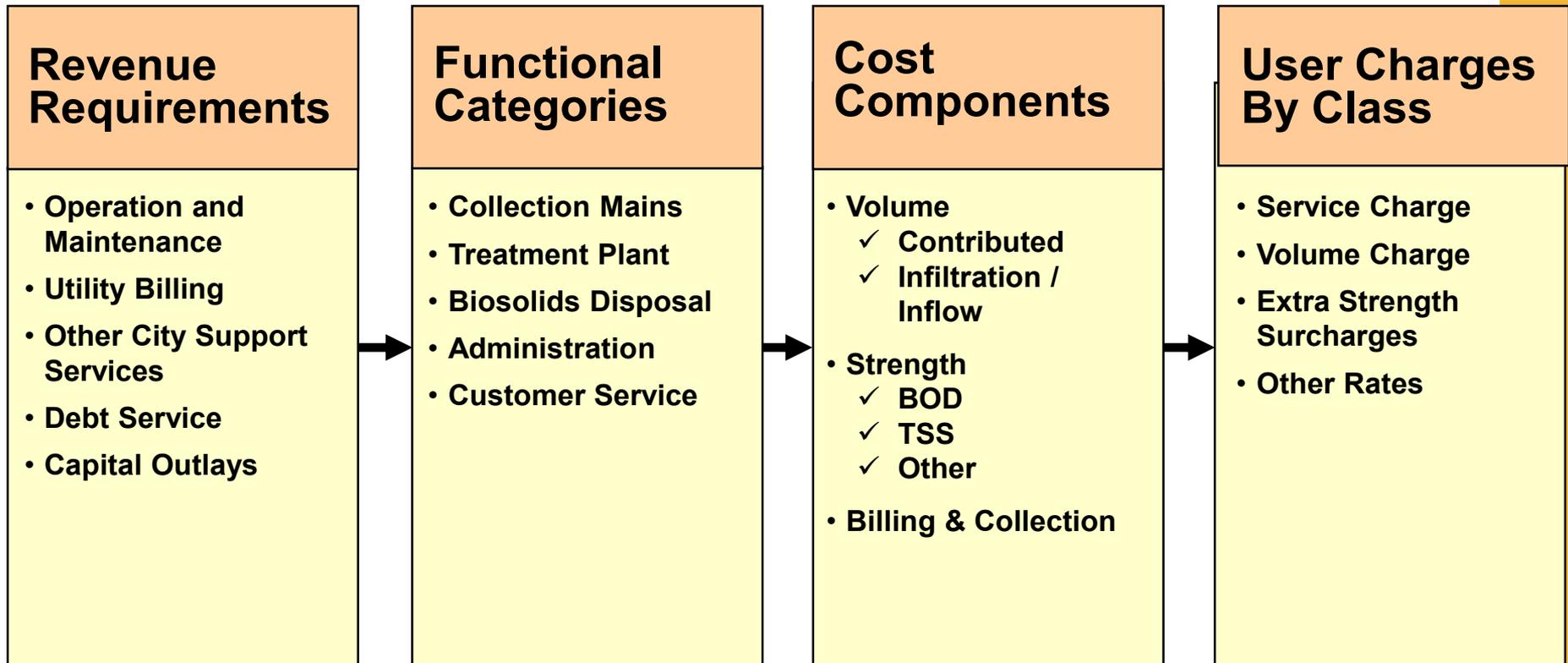


Cost of Service Analysis

Water Utility Cost Allocation Process



Wastewater Utility Cost Allocation Process



Review of
Cost of Service Handouts
(to be distributed at meeting)

Key Decision Point

- Cost of Service
 - Length of transition – immediate or phased-in over 5 years?



Alternative Water Rate Structures

Pricing Objective Rankings

Louisville Rate Study Task Force

Pricing Objective	Total	Average	Rank
Growth pays for itself	32	4.57	1
Cost of service equity	31	4.43	2
Water conservation	30	4.29	3
Environmental enhancements	26	3.71	4
Customer acceptance	23	3.29	5
Customer impact	21	3.00	6
Fixed income / affordability	20	2.86	7
Revenue stability	19	2.71	8
Administrative ease	18	2.57	9
Peak usage reduction	17	2.43	10
Large volume customers	12	1.71	11

Water Rate Structure Alternatives

- 1. Status Quo – existing structure**
- 2. Cost of Service – customer class basis**
 - Service charge based on meter size – no volume allowance
 - Volume charge varies by customer class, includes fixed rate blocks
- 3. Cost of Service – AWC basis**
 - Service charge based on meter size – no volume allowance
 - Volume charge in each block is same for all customers, block size for each customer varies

Water Rate Structure

Alternative 1 – Status Quo

- **Residential Single Family**
 - **Minimum bill same for all customers, monthly volume allowance of 5,000 gallons**
 - **Volume charge is 5-block increasing rate**
- **Multifamily**
 - **Service charge varies by number of units**
 - **Volume charge is 5-block increasing rate, block size varies by number of units**
- **Commercial and Irrigation**
 - **Service charge varies by meter size**
 - **Volume charge is 5-block increasing rate, block size varies by meter size**

Water Rate Structure

Alternative 2 – Cost of Service – customer class basis

- **Residential Single Family**
 - **Service charge varies by meter size, no volume allowance**
 - **Volume charge is 4-block increasing rate**
- **Multifamily**
 - **Service charge varies by number of units**
 - **Volume charge is 4-block increasing rate, block size varies by number of units**

Water Rate Structure

*Alternative 2 – Cost of Service – customer class basis
(cont'd)*

- **Commercial**
 - **Service charge varies by meter size**
 - **Uniform volume charge**
- **Irrigation**
 - **Service charge varies by meter size**
 - **Volume charge is 2-block budget**

Water Rate Structure

Alternative 3 – Cost of Service – AWC basis

- **All Customers**
 - **Service charge varies by number of units for multifamily and by meter size for all other customers.**
 - **Volume charge is 4-block increasing rate, block size is based on AWC**
- **Irrigation**
 - **Service charge varies by meter size**
 - **Volume charge is 2-block budget**

Review of
Preliminary Water Rate Handouts
(to be distributed at meeting)

Key Decision Point

- Rate Design
 - Which structure – class cost of service or AWC?



Alternative Wastewater Rate Structures

Wastewater Rate Structure Alternatives

1. Status Quo – existing structure

2. Cost of Service

- **Service charge based on meter size**
- **Uniform volume charge**
 - **Single family – applied to AWC**
 - **Multifamily – applied to AWC**
 - **Nonresidential – applied to all usage, same rate year-round**

Review of
Preliminary Wastewater Rate Handouts
(to be distributed at meeting)



System Development Charges

Principles of System Development Charges

- Definition – one-time charge paid by new connector for system capacity or by existing customer requiring increased capacity
- Based on costs of:
 - Major backbone infrastructure
 - Water raw water mains and storage, treatment plants, transmission mains and storage facilities
 - Wastewater interceptors, treatment plants and disposal facilities
 - Water resources
 - Intangible assets such as water rights

Principles of System Development Charges

- Based on a reasonable relationship (*rational nexus*) between amount of SDC and costs associated with serving connector
- Most common methods of calculating SDCs:
 - *Buy-In* – achieves capital equity between existing and new customers. Typically used for systems capable of meeting long-term capacity needs.
 - *Incremental* – assigns incremental cost of future system expansion needed to serve new development. Typically used for systems that need to expand facilities to serve new development.
 - *Combined* – uses weighted average of the buy-in and incremental methods.

Review of
SDC Handouts
(to be distributed at meeting)



Decision Points

Key Decision Points

- Financial Plan
 - Which alternative – just-in-time or smooth rate increases?
- Cost of Service
 - Length of transition – immediate or phased-in over 5 years?
- Rate Design
 - Which structure – class cost of service or AWC?



Discussion