Presentation Contents

• Purpose of the meeting
  • Financial plan scenarios
  • IAB objectives
  • Rate design/structure discussion
  • Fund balance - water
FINANCIAL PLAN SCENARIOS

• 3 Water financial plan scenarios are proposed
  – Scenario A: Fund the Lake Nighthorse project
  – Scenario B: No funding of the Lake Nighthorse project
  – Scenario C: Begin funding Lake Nighthorse project but stop partway through study period
IAB Objectives

• Utility rate attributes survey top objectives:

1. Effectiveness in yielding total revenue (avg score 4.8)
   • Should not be based on assumption of reduced costs
   • Utilities are an enterprise fund and should be operated within those parameters
   • Need to address fund balances (high for water, low for sewer)

2. Fair allocation of cost among customer classes (avg score 4.6)
   • Rates need to be fair across the customers

3. Rates are understood by the public and easy to administer (avg score 4.6)
   • Important to match Council’s goals

4. Rates are based on fairness in allocation of costs (avg score 4.2)
   • People should pay for what they are provided
**SYSTEM USE BACKGROUND**

- 130 taps account for 42% of all consumption

![Water Use of Top 130 Taps]

- 600 taps account for 67% of all consumption
Conservation oriented rates structure (tempered)

- Lots of water resources, but it is a finite resource
- Pay what’s fair not a penalizing rate
- Pros:
  - Encourages conservation
  - Higher upper tier rates provides relief for lower volume users
  - Those who use more pay more
- Cons:
  - Can put revenue at risk
  - May be seen as penalizing larger lots despite efficient water use
Budget Based Rates - Average Winter Consumption (AWC)

- Fixed blocks are “one size fits all”
- Base block on each customer’s AWC
- Pros:
  - Better matching of water needs to each customer
  - May provide additional conservation
- Cons:
  - May be seen as inequitable – two customers with same water use pay different monthly bills
  - More administrative costs, AWC needs to be updated every year
  - May be more difficult for customers to understand
Budget Based Rates – Persons per Household and Lot Size

- Fixed blocks are “one size fits all”
- Base block on persons per household and irrigable area of yard/property

Pros:
- Better matching of water needs to each customer
- May provide additional conservation

Cons:
- May be seen as inequitable – two customers with same water use pay different monthly bills
- More administrative costs, would need lot size (GIS) information
- Not all billing systems can handle this rate structure
- May be more difficult for customers to understand
Seasonal Rates (can apply to all prior options)

- **Pros:**
  - Recognizes incremental costs of higher water use periods
  - May provide additional conservation

- **Cons:**
  - More administratively burdensome
  - May be more difficult for customer to understand
High Base Charge (can apply to all prior options)

- **Pros:**
  - Provides revenue stability
  - Provides better matching between revenues and costs
  - Ensures customers with vacation/second homes pay their share

- **Cons:**
  - Limits conservation incentive
  - More burdensome to low volume users
Rate Structure Changes

A new rate structure may impact administrative tools

- May require a new billing structure from third party
- Customer service staff will be meeting with consultants to understand:
  - Capabilities of current billing system
  - New billing systems requiring an additional fee (annual)
- Potential costs may include:
  - One-time setup fee of ~$13k (includes: integrations with Harris Innoprise billing system + Zenner AMI system, platform content configuration, and remote staff training)
  - Annual platform fee of ~$2.00/meter (includes: access to customer portal + analytics dashboard for all accounts, email/text/voice notifications, AMI data storage, marketing kit, and customer support)
  - Annual premium integration fee (InvoiceCloud) of $6k
    - Harris, Zenner and InvoiceCloud
    - Single sign-on (SSO) integration
    - Authentication users against invoice cloud
  - Annual premium visual styling fee of $5k
• Water fund balance may be too high based on a prior project that was anticipated but never undertaken
  • Drawing down fund balance by not keeping pace with O&M costs can lead to a rate spike in the future
  • A more aggressive/advancing of capital projects can be useful in reducing fund balance while keeping pace with O&M costs and meeting debt service coverage requirements
CITY OF
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QUESTIONS & DISCUSSION