Customer Questions Regarding the Proposed Water Rates Structure Changes

1. Does the sewer fee move in lock step?
    a. *No, the only impact could be from any effort to standardize how the average winter consumption (AWC) is determined*

2. What about a conservation discount in the summer?
    a. *Based on the consultant's report, a summer discount was not one of the recommendations. The current proposals are designed to encourage conservation, the water utility needs to meet revenue requirements to cover operating and debt service expenses.*

3. Very concerned about Aurora Dairy and how their usage will affect our water treatment system. All depends on their actual usage. Will it be within the 50 CCF high on your charts? Will it be 5000 or 500 CCF? We can't assess their impact without dta. None of their usage should be at Tier 1.
    a. *The Commercial Water Rate Structures currently operates on an annual winter consumption (AWC). The only usage in the new summer tier 3 rate is the usage above 170% of AWC, typically these type of processes have a fairly consistent annual usage and may not have any significant usage in the new tier 3 rate.*

4. There are 20+ neighborhood associations- is there some way to rollout this information to these groups?
    a. *Yes, our Neighborhood Service division within Community Development has the ability to provide our information to the neighborhood associations.*

5. I wonder how the big businesses like that organic dairy processing will be paying. Will the commercial user have to pay more for their water? They will use lots of water. I assume Oscar Meyer plant also uses a ridiculous amount of water. What tier do they pay?
    a. *Please see the answer to question #3 above.*

6. What assumptions will be made to define "only" the baseline Water Sales Revenue needed for the 5 year forecast before considering what water rates will be needed to produce the needed water revenue?
    a. *We assume a ½% customer growth rate each year to our water sales.*
    b. *We review our annual operating expenditures and capital project expenditure needs and how that impacts our financial sources and uses (cash position) each year with our goal to be at or slightly above our cash reserve target by year 5.*
    c. *We review our debt coverage ratio each year to ensure that we are meeting the minimum coverage of 1.10, which is included in our bond covenant.*

7. Is there any budgeted funds for a water conservation program for FY 2019?
    a. *At this time there are no budgeted funds for new water specific conservation programs. The Utility Services Division does currently have some water conservation programs supported and, as recommend in the Integrated Water Resource Plan, they are in the process of developing additional water conservation programs. These programs will need to be aligned with the Climate Action and Adaptation Plan and Integrated Management Plan. Once the programs are finalized, they will be brought forward to City Council for approval and funding.*

8. What actions has the WL Department taken since completion of the WIRP in May of 2017 (16 months ago) to create a Conservation Plan as laid out in great detail in the Technical Memorandum and as recommended by the WIRP Committee?
    a. *Please see the answer to question #7 above.*

9. What are the future plans for a Conservation Plan?
    a. *Please see the answer to question #7 above.*

10. How are these water rate increases to be calculated? Percentage basis?
    a. *They are calculated based on the percentage of revenue that is required to be generated to support operating and debt service expenses. For instance, if we need a 5% revenue increase, the rates are increased to generate the needed revenue percentage. There are different rate structures that can be used to generate the needed revenue. In addition to the current rate structure, the consultant has proposed two alternative rate structures designed to encourage water conservation.*

11. What are the existing water system design criteria for the water distribution system for various developments?
    a. *Daily average water demands are estimated for each development and entered into a hydraulic model based on proposed land use and density. The model uses a diurnal curve to distribute these demands over a twenty-four hour period to reflect typical water use patterns. A four-hour peak demand fire flow demand is applied to the proposed development and pipes are sized to maintain a minimum pressure of 20 psi throughout the four-hour period with maximum allowable pipe velocities of 7 fps.*

12. Given the pressure concerns in southwest Columbia, when was the irrigation design flow first taken into consideration in the water distribution system design?
    a. *Irrigation demands are not directly taken into account in the water distribution system design.*

13. Has the department taken action to include irrigation design flow into all new subdivision requests or any other commercial development anticipating an irrigation system? Additionally, has the department updated the water hydraulic model to account for known water irrigation systems to monitor system pressure when considering all the fire flow, domestic flow and irrigation flow?
    a. *Irrigation demands are not directly taken into account in the water distribution system design and modeling. Designing to simulated irrigation demands is problematic due to the erratic and variable nature of irrigation demand.*

14. What are the Fire Flow components of the water system?
    a. *Potable water service is planned to operate inside the specifications for fire flow design. The cost for potable water service is recovered from connection, base and usage charges. There is a seperate fire flow charge to recover incremental fire flow infrastructure, increase pipe sizes and hydrants. The usage needed to support fire service is incorporated in usage charges on an annual basis.*

15. Where have the million dollars of future water tank painting costs been identified?
    a. *Those cost will be included in future budgets as part of enterprise funded improvements.*

16. What water rate(s) will produce the needed annual water revenue throughout the forecast period?
    a. *The consultant has proposed that in FY 2019 the usage rates would have a rate adjustment, no base rate change. In FY 2020 thru FY 2023, both base and usage would have rate adjustments.*

17. What financing terms (interest rate and term) did Raftelus assume to calculate the annual principal and interest payments?
    a. *The financing terms will be a 4.25% interest rate and 30 year term on new debt.*

18. What is water rate shock?
    a. *It is an unexpected or unplanned change to water rates.*

19. What is the minimum Debt Service Coverage required by the existing bond ordinance, 1.25 or 1.10?
    a. *The current bond covenants states 1.10 as the minimum debt service coverage.*

20. The expense for Rate Analysis goes from $57,759 in 2018 to $405,298 in 2019. Why?
    a. *The $57,759 was what we were estimating to spend in the Rate Analysis division of the budget. The difference between 2018 and 2019 is that we budget $350,000 in contingency that may or may not get spent each fiscal year.*

21. What is the proposed water rate schedule for residential customers, commercial customers, and industrial customers, customers outside the city limits and prior water district customers and any other customer classification?
    a. *Please refer to the Comprehensive Water Cost of Service Study dated August 27, 2018 and the Addendum to the Comprehensive Water Cost of Service Study dated November 2, 2018 (https://www.como.gov/utilities/water-rate-structures/).*

22. Have there been any meetings with representatives of the Finance Department to convey the assumptions of the water revenue financial projections/water rate tier changes so they will be in a good position to talk with the Bond Underwriter and Bond Counsel?
    a. *Finance is aware of the proposed rate structure changes, and based on these conversations, formal meetings will occur as part of forming the staff recommendation and after a rate structure has been approved.*

23. Is it anticipated that the new Financial Director will in place in time to oversee the sale of the first bond issue and be on board to agree with any new financial risk being considered for this water Bond issue?
    a. *This is unknown at this time. Currently there is an Interim Finance Director who will be here until a permanent Finance Director has been hired.*

24. Will there be sufficient funds in the Water Bond issue to build the Southwest Elevated Storage Tank?
    a. *Providing sufficient funds in the water bond issue to build the southwest elevated storage tank was the goal of the estimates and at this time we believe that goal is attainable.*

25. Water rate structure proposal: Please note that the FY 2023 was dropped off of Figure 4: Proposed Rate Forecast.
    a. *Noted.*

26. Figure 4 shows a projection of approximately 5% per year per each Tier. How much of the 5% is for future debt service for the new bond issue? How much of the 5% is for future O&M for operations?
    a. *FY 2019: 3% debt, 2% O&M, FY 2020: 3% debt, 2% O&M, FY 2021: 3% debt, 2% O&M, FY 2022: 2% debt, 3% O&M, FY 2023: 5% O&M.*

27. What Fiscal Year was the “Revenue at Current Rates” calculated from?
    a. *FY 2018.*

28. What are the underlying assumptions for the number of water users and annual water sold?
    a. *No growth assumptions for water customer accounts and water consumption. To remain at their 2017 levels throughout the forecast.*

29. Will the “Fire Flow” be subject to the annual 5% change?
    a. *Yes, the annual revenue for “Public Fire Protection” is shown in Figure 11.*

30. Will the city ordinance for outside city rates and water district rates that are set at 133% and 115% of inside city rates reflect the annual 5% change in future fiscal years?
    a. *Yes.*

31. Please refer to Figure 5 in the final COS report. The $600,000 figure for Enterprise Funded Capital revenue requirements was changed to a lesser amount in the City Manager's budget at a level of $350,000(?)
    a. *This is correct. The amount was reduced from $600,000 to $350,000 late in the budget process.*

32. How much larger does the well field need to be, water treatment plant, transmission lines, other distribution lines, pump stations and elevated storage tanks to meet the ISO rating of 2?
    a. *The Fire Protection ISO ratings for a community is determined by a number of different factors and capability of the water system is only one of the factors.*

33. I would like more information on how the outside city customer's rate at 1.33 times and water district rates at 1.157 times of inside city was figured.
    a. *These are set in the ordinances. Section 27-123 is for outside city limits and Section 27-124 is former boundaries of dissolved Public Water Supply Districts outside city limits.*