

Herriman Culinary and Secondary Water Rates

Presented by:
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Zions Bank Public Finance
March 13, 2014

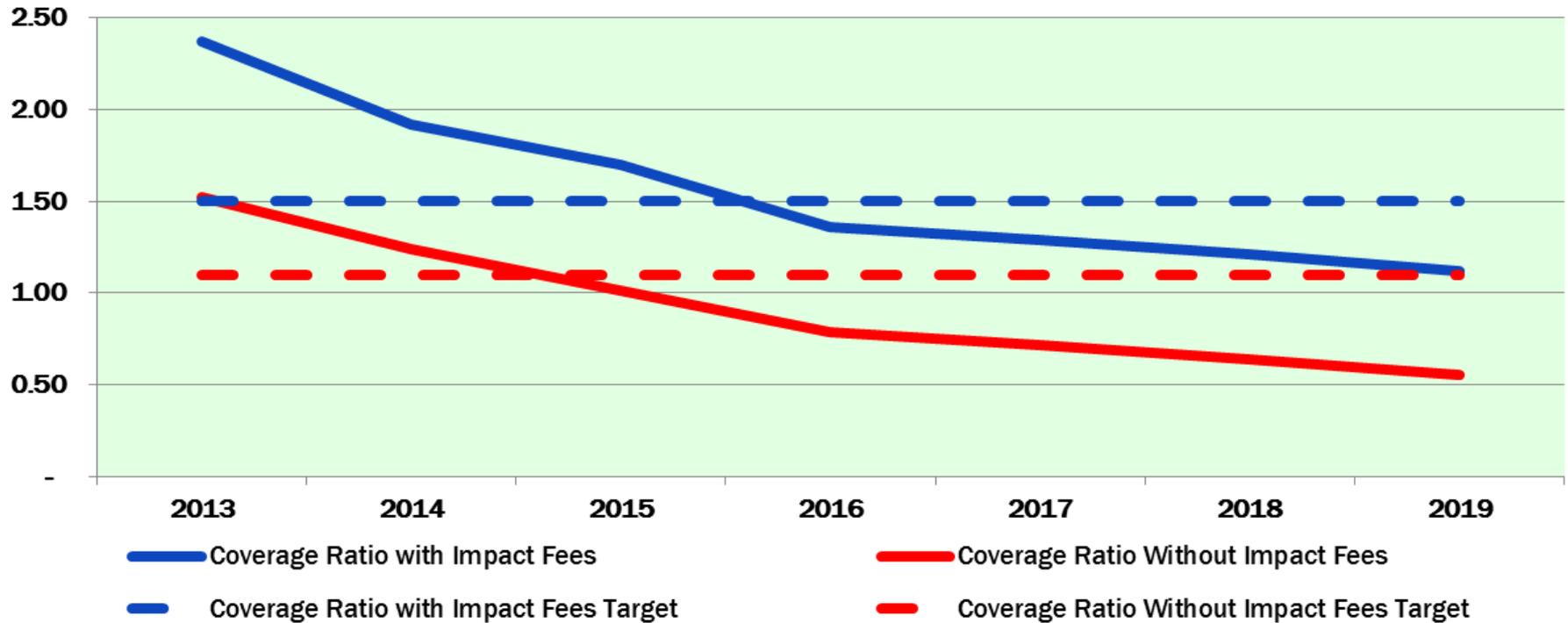


- In 2012 a rate analysis was performed to determine fair and adequate user rates for culinary water and new secondary water users
- The analysis is an update, given the operating costs of the secondary water system, and metered demand information
- Recommend these rates be adopted March 13,2014, and go into affect April 1,2014

- Calendar year water system revenue targets
 - 2013 \$5.68M
 - 2014 \$5.99M
 - 2015 \$6.58M
- Water system costs have increased
 - Rocky Mountain Power bills increased 3%
 - JWCD contract expenses increased 4% - 5%
- Recommending a 7% increase in culinary and secondary rates
- Total revenue growth will exceed 7% due to new connections plus rate increases
- Increases in total revenues above 7% are necessary to maintain coverage ratios, cash balances, and City's bond ratings

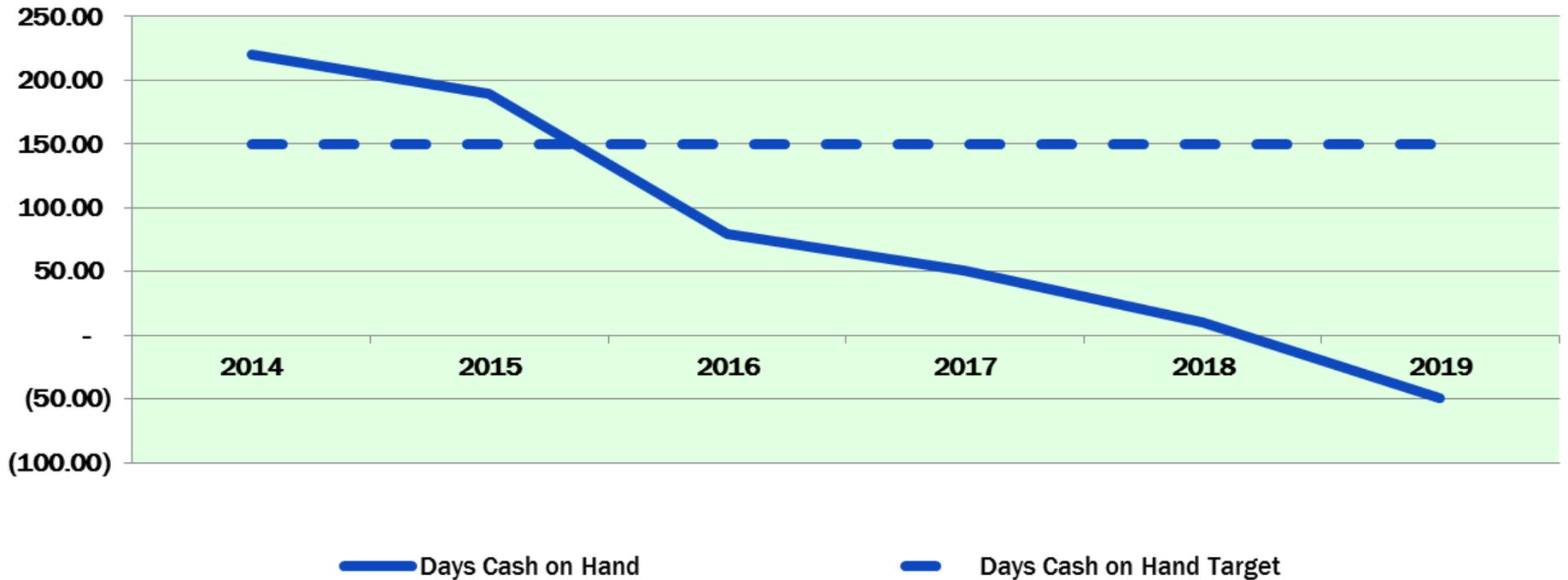
- Cash on hand and debt service coverage ratios are important metrics to maintain good bond ratings
- Cannot look at one figure alone, both must be considered
- Method of funding capital projects has a large impact on ratios
 - Coverage ratios can be inflated to maintain minimal cash when there are many cash-funded capital projects
 - Coverage ratios can be strained when projects are largely bond funded while cash on hand is high due to less cash-funded projects
- The City's projections shows a 40/60 split in bond and cash funding which is a good balance

Debt Service Coverage Ratios and Targets with Current Rates



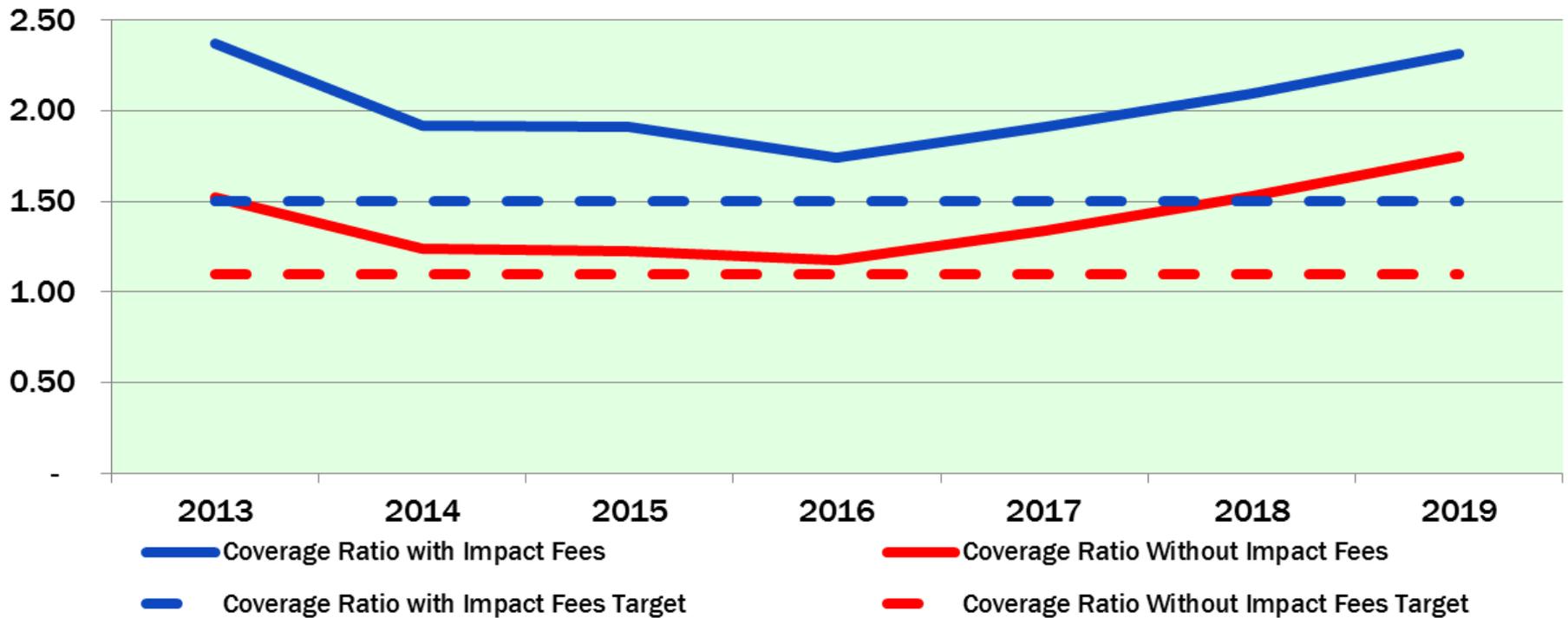
- Coverage Ratio with Impact Fees Target: 1.50
- Coverage Ratio without Impact Fees Target: 1.10

Days Cash on Hand and Targets with Current Rates



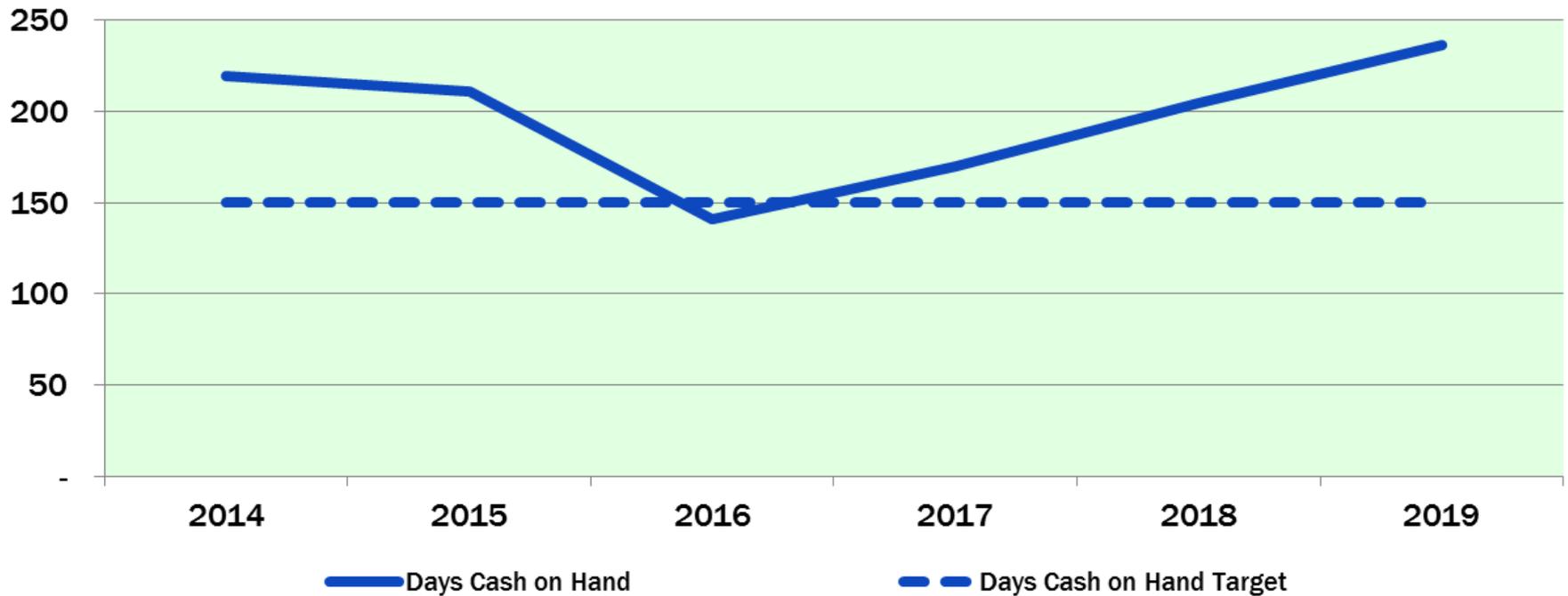
- Day Cash on Hand Target: 150 Days of Operations Expense

Debt Service Coverage Ratios and Targets with Proposed Rates

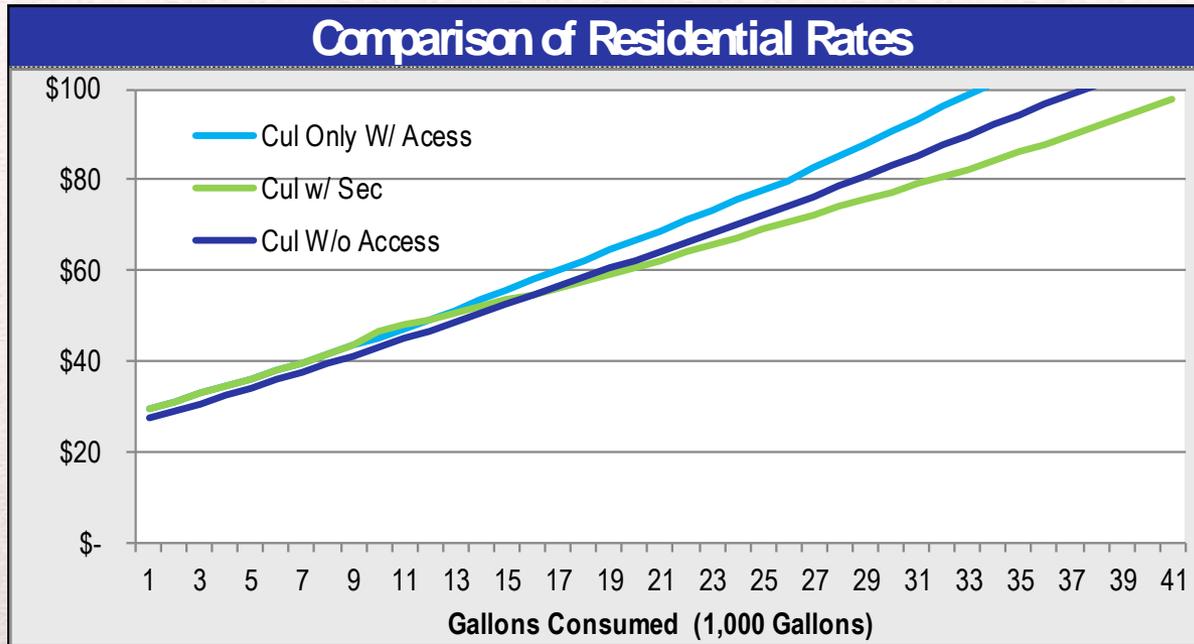


- Coverage Ratio with Impact Fees Target: 1.50
- Coverage Ratio without Impact Fees Target: 1.10

Days Cash on Hand and Targets with Proposed Rates



- Day Cash on Hand Target: 150 Days of Operations Expense



- The secondary water user (green) pays a base monthly fee for both culinary and secondary which is slightly more than the cost of a user with no access to secondary (dark blue).
- The savings in the water bill to a user connected to secondary water in comparison with a user with only culinary water increases as consumption increases as shown in the divergence of the light blue and green lines.

- Two broad residential user culinary categories
 - Residential without Secondary access
 - Residential with Secondary access
- Cost savings are achieved for residences using secondary water over residences with access to secondary water but not connected
- In summer months the savings will be approximately 10% for an average user at 42,000 gallons if connected to secondary water
- The resulting net annual savings of summer watering savings plus the slight additional cost in the winter months is anticipated to be about 3.2% for a secondary water user.

- Many culinary water users will not have access to secondary water for several years or may never have access due to elevation

| Culinary Residential 3/4" & 1" Zone 1-4 Wo Secondary | | | | | Current |
|--|---------|-----------------|-----------|---|----------|
| Minimum | Maximum | Price per 1Kgal | Table No. | | Base Fee |
| - | 5,000 | \$ 1.65 | 111 | Residential 3/4" & 1" Zone 1-4 Wo Secondary | \$ 25.50 |
| 5,001 | 10,000 | \$ 1.75 | | | |
| 10,001 | 25,000 | \$ 1.85 | | | |
| 25,001 | 40,000 | \$ 1.95 | | | |
| 40,001 | 80,000 | \$ 2.50 | | | |
| 80,001 | above | \$ 3.20 | | | |

Culinary Only User Without Access to Secondary – Current Rates

- The intent of these rates is to provide a fair cost of water and not penalize a user for not connecting to secondary water when it is unavailable

| Culinary Residential 3/4" & 1" Zone 1-4 Wo Secondary | | | | | Proposed |
|--|---------|-----------------|-----------|---|----------|
| Minimum | Maximum | Price per 1Kgal | Table No. | | Base Fee |
| - | 5,000 | \$ 1.70 | 111 | Residential 3/4" & 1" Zone 1-4 Wo Secondary | \$ 27.29 |
| 5,001 | 10,000 | 1.80 | | | |
| 10,001 | 25,000 | 1.95 | | | |
| 25,001 | 40,000 | 2.25 | | | |
| 40,001 | 80,000 | 2.60 | | | |
| 80,001 | above | 3.40 | | | |

Culinary Only User Without Access to Secondary – Proposed Rates

- Users located in an area with secondary water access are currently charged the proposed culinary water base fee of \$17.00 plus the secondary water base fee of \$10.50 each month.
- If a user with secondary water access available chooses not to connect then that user will continue to pay the base fees for both systems and all culinary consumption will be charged according to the following schedule:

| Culinary Residential 3/4" & 1" Zone 1-4 W Secondary | | | | | Current |
|---|---------|-----------------|-----------|--|----------|
| Mnimum | Maximum | Price per 1Kgal | Table No. | | Base Fee |
| - | 5,000 | \$ 1.65 | 114 | Residential 3/4" & 1" Zone 1-4 W Secondary | \$ 17.00 |
| 5,001 | 10,000 | 1.75 | | | |
| 10,001 | 25,000 | 2.00 | | | |
| 25,001 | 40,000 | 2.50 | | | |
| 40,001 | 80,000 | 2.75 | | | |
| 80,001 | above | 3.30 | | | |

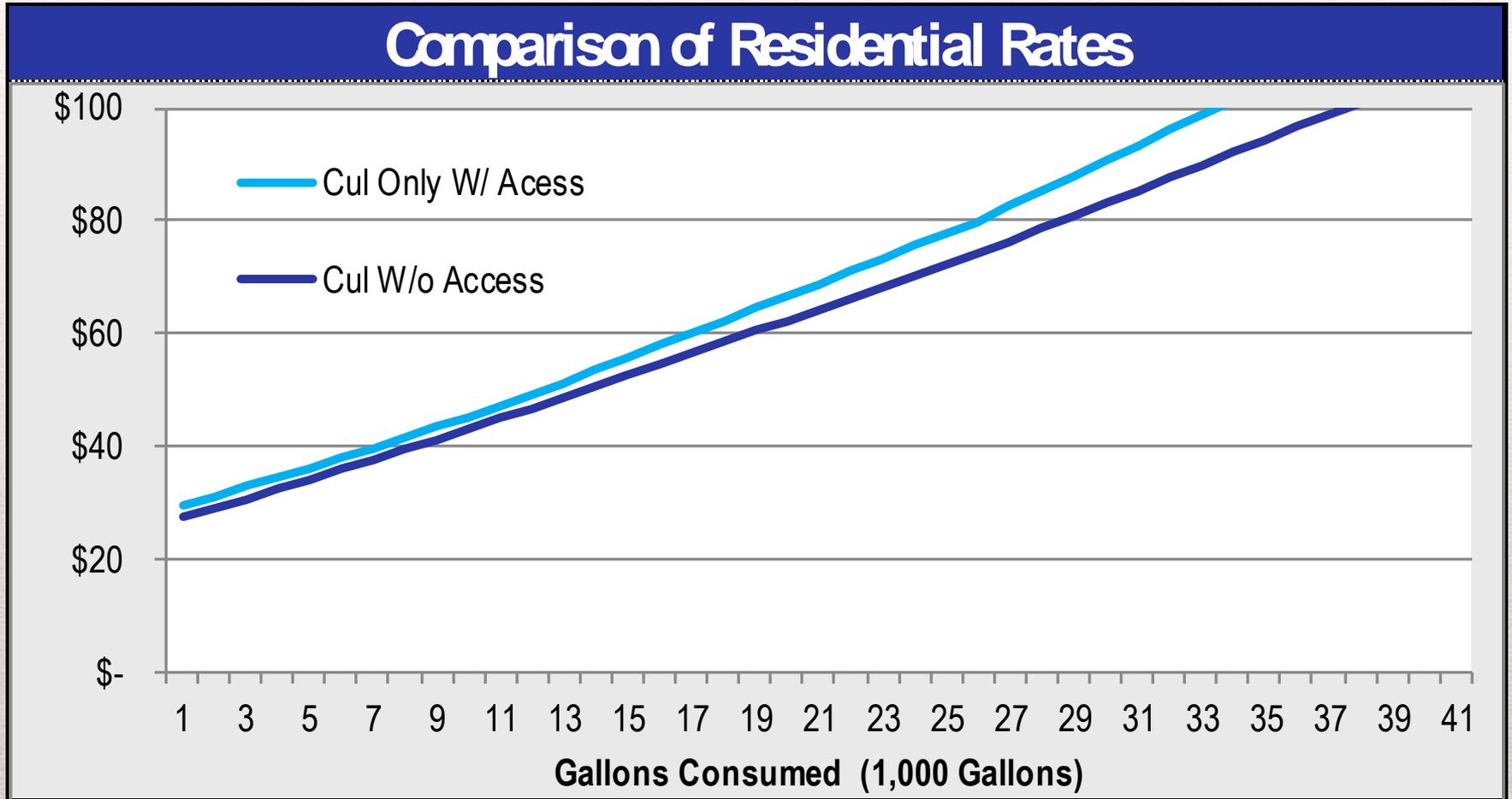
Culinary Water With Access to Secondary Water – Current Culinary Rates

- The proposed culinary water base fee of \$18.19 plus the secondary water base fee of \$11.20 each month totaling \$29.39
- Culinary water users that have access to secondary water available will be charged a higher cost for outdoor water use as an incentive to connect to secondary water

| Culinary Residential 3/4" & 1" Zone 1-4 W Secondary | | | | Proposed |
|---|---------|-----------------|-----------|---|
| Mnimum | Maximum | Price per 1Kgal | Table No. | Base Fee |
| - | 5,000 | 1.70 | 114 | Residential 3/4" & 1" Zone 1-4 W Secondary \$ 18.19 |
| 5,001 | 10,000 | 1.80 | | |
| 10,001 | 25,000 | 2.20 | | |
| 25,001 | 40,000 | 2.70 | | |
| 40,001 | 80,000 | 3.20 | | |
| 80,001 | above | 3.90 | | |

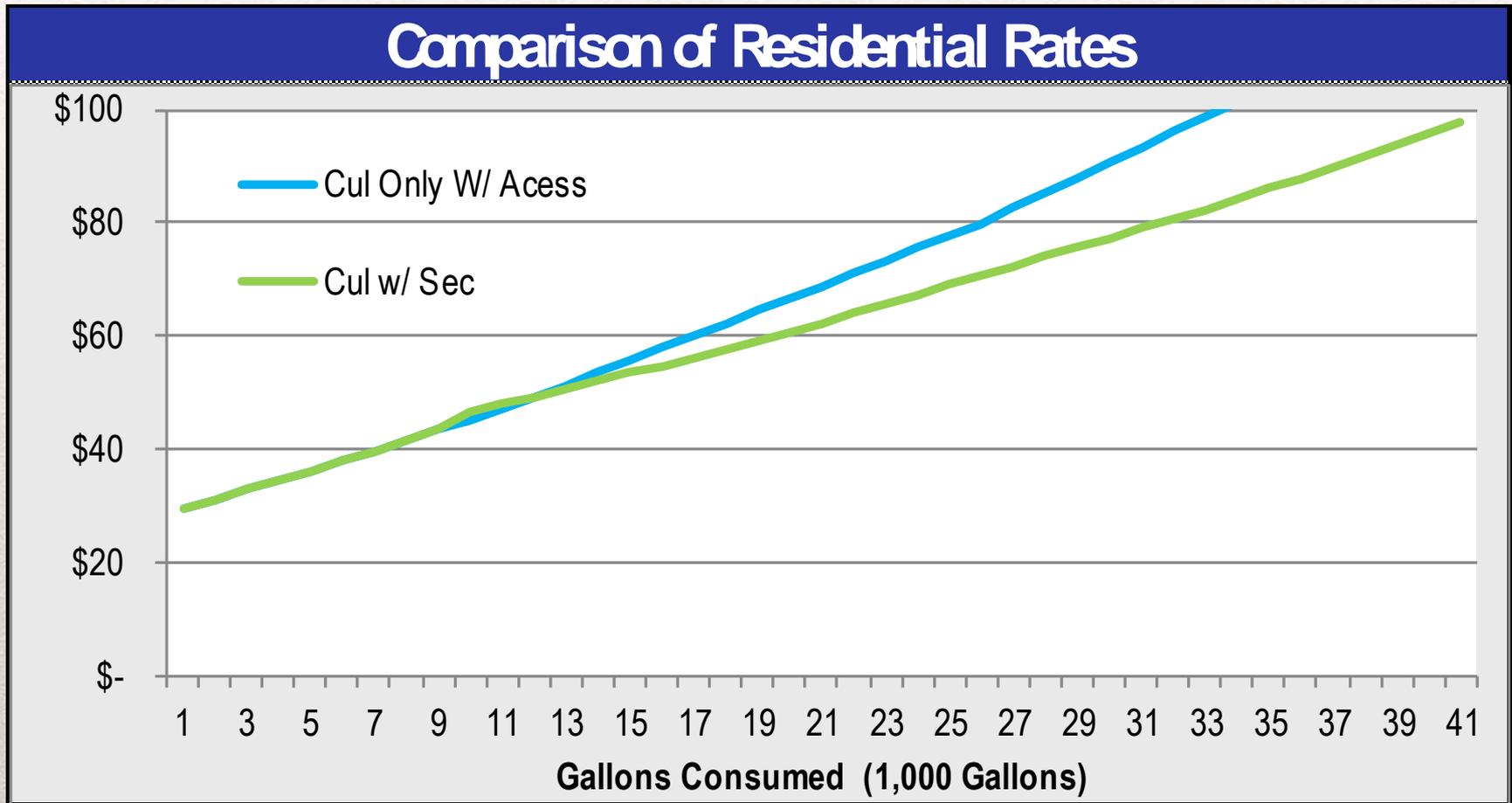
Culinary Water With Access to Secondary Water – Proposed Culinary Rates

- The cost of water for a user with access that chooses not to connect to secondary will be higher than the water bill for a culinary only user



**Culinary Water With Access to Secondary
Water vs Culinary Only**

- The cost of water for a user with access that chooses not to connect to secondary will be even higher than the water bill for a secondary user



Culinary Water With Access to Secondary Water vs Secondary

- A user that chooses to connect to the secondary water system will be charged for outdoor secondary water consumption according to the secondary water fee schedule found on the next slide and all culinary (indoor) consumption according to the schedule on the previous slide.
- The City will continue to waive the \$425 secondary water connection fee for all that connect.
- The user will be required to make all upgrades and changes to the sprinkler system on their property.

Culinary Water With Access to Secondary Water

- Secondary water will only be available in pressure zones 1 through 4 and A through D
- Current monthly base fee for secondary water is \$10.50
- Consumption is assessed according to tiered fees to promote conservation

| Secondary 200 - Residential 3/4" & 1" Zone 1 - 4 Access to Secondary | | | | | | | |
|--|---------|--------------------------|------|-----|----------------|----------|-------|
| Minimum | Maximum | Price per 1Kga Table No. | | | | Base Fee | |
| - | 10,000 | \$ | 1.35 | 200 | Residential 1" | \$ | 10.50 |
| 10,001 | 25,000 | \$ | 1.65 | | | | |
| 25,001 | 40,000 | \$ | 1.90 | | | | |
| 40,001 | 70,000 | \$ | 2.40 | | | | |
| 70,001 | above | \$ | 2.80 | | | | |

Culinary Water With Access to Secondary Water - Current Secondary Rates

- \$11.20 monthly base fee will be assessed plus tiered consumption fees to promote conservation
- Non-residential users will pay a monthly fee according to meter size and a tiered fee structure

| Secondary 200 - Residential 3/4" & 1" Zone 1 - 4 Access to Secondary | | | | | | |
|---|---------|--------------------------|-----|----------------|----------|-------|
| Mnimum | Maximum | Price per 1Kga Table No. | | | Base Fee | |
| - | 10,000 | 1.38 | 200 | Residential 1" | \$ | 11.20 |
| 10,001 | 25,000 | 1.68 | | | | |
| 25,001 | 40,000 | 1.94 | | | | |
| 40,001 | 70,000 | 2.45 | | | | |
| 70,001 | above | 2.86 | | | | |

Culinary Water With Access to Secondary Water - Proposed Secondary Rates

- Non-residential and multi-family master meter (mm) connections will continue to be assessed a base monthly fee graduated according to meter size
- Non-residential and multi-family consumption will be charged a flat price per 1,000 gallons according to pressure zones (1-4, 5-6,7-9)

| Non-Residential Zones 1-4 | | | | | Current | |
|---------------------------|---------|-----------------|-----------|-------------------------------|----------|--------|
| Mnimum | Maximum | Price per 1Kgal | Table No. | | Base Fee | |
| - | above | \$ 1.85 | 122 | MM+Nbn Res 3/4" & 1" Zone 1-4 | \$ | 25.50 |
| | | | 125 | MM+Nbn Res 1 1/2" Zone 1-4 | | 35.06 |
| | | | 130 | MM+Nbn Res 2" Zone 1-4 | | 51.00 |
| | | | 133 | MM+Nbn Res 3" Zone 1-4 | | 171.06 |
| | | | 136 | MM+Nbn Res 4" Zone 1-4 | | 215.69 |
| | | | 139 | MM+Nbn Res 6" Zone 1-4 | | 319.81 |
| | | | 142 | MM+Nbn Res 8" Zone 1-4 | | 438.81 |
| | | | 145 | MM+Nbn Res 10" Zone 1-4 | | 695.94 |

- Non-residential and multi-family master meter (mm) connections will continue to be assessed a base monthly fee graduated according to meter size
- Non-residential and multi-family consumption will be charged a flat price per 1,000 gallons according to pressure zones (1-4, 5-6,7-9)

| Culinary Non-Residential Zones 1-4 | | | | | Proposed | |
|------------------------------------|---------|-----------------|-----------|-------------------------------|----------|--------|
| Mnimum | Maximum | Price per 1Kgal | Table No. | | Base Fee | |
| - | above | \$ 1.98 | 122 | MM+Non Res 3/4" & 1" Zone 1-4 | \$ | 27.29 |
| | | | 125 | MM+Non Res 1 1/2" Zone 1-4 | | 37.52 |
| | | | 130 | MM+Non Res 2" Zone 1-4 | | 54.57 |
| | | | 133 | MM+Non Res 3" Zone 1-4 | | 183.04 |
| | | | 136 | MM+Non Res 4" Zone 1-4 | | 230.79 |
| | | | 139 | MM+Non Res 6" Zone 1-4 | | 342.20 |
| | | | 142 | MM+Non Res 8" Zone 1-4 | | 469.53 |
| | | | 145 | MM+Non Res 10" Zone 1-4 | | 744.65 |

Proposed Non-Residential/ Multi-Family MM ²¹

- Seeking a 7% increase in user rates to offset increasing operational expenses, fund capital projects, and strengthen the water systems' financial position
- Rate structure provides an annual 3.2% savings for average users that connect to secondary water
- Those that have access but choose not to connect to secondary water will have annual bills that total 12% higher than those that do connect
- City plans to review rate plans annually to adapt to changing operational and capital costs, bonding needs, and growth in secondary water connections