Water and Sewer Rate Study

Stakeholder Meetings

Meeting No. 1

April 9, 2009

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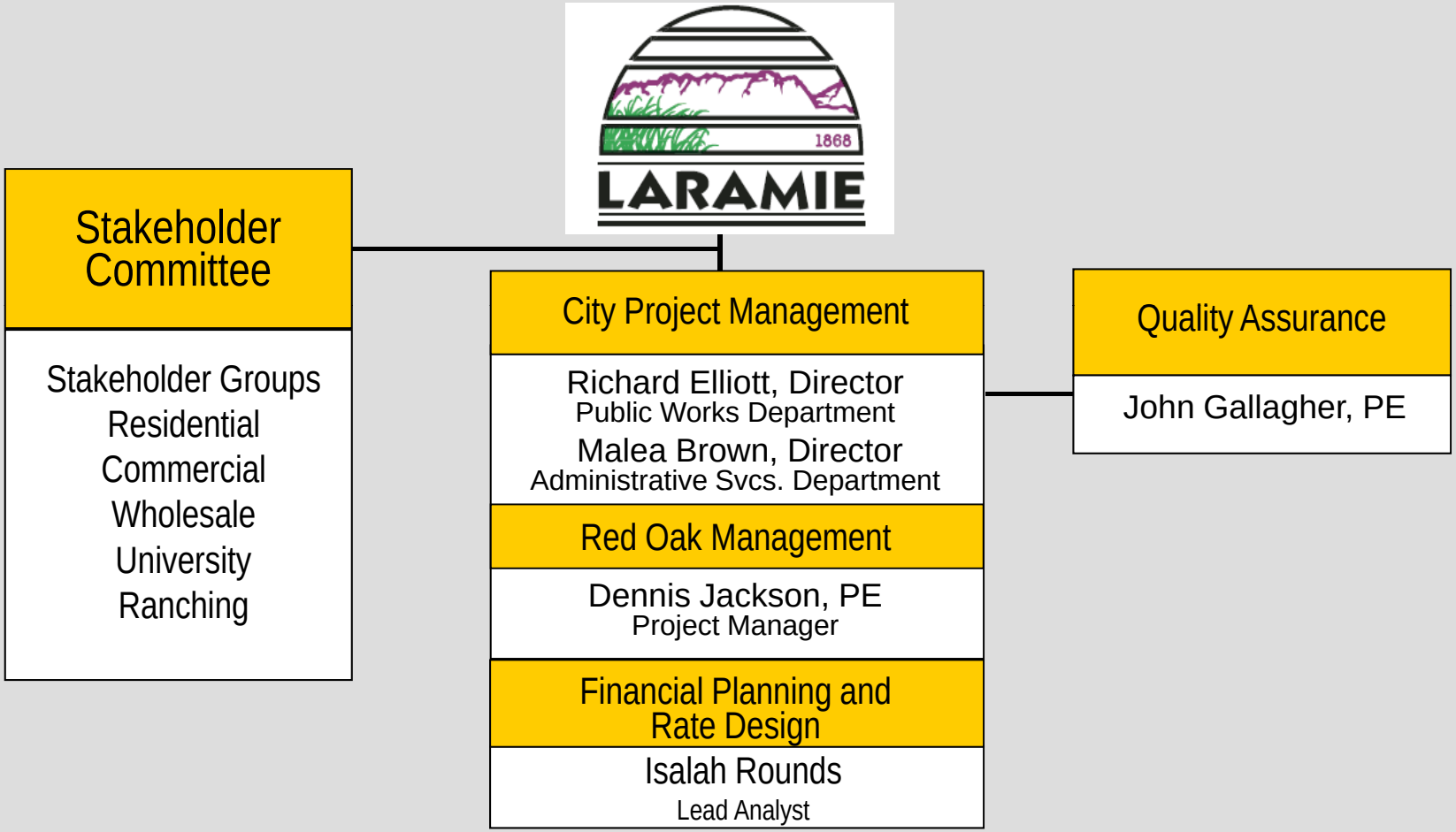
RED OAK CONSULTING
A DIVISION OF MALCOLM PIRNIE

Agenda

1. Introductions
2. Stakeholder Group Mission
3. Background
4. Utility Infrastructure Overview
   - Richard Elliot, Director of Public Works
5. Financial Planning 101
6. Key Issues Facing the Utilities
7. Financial Plan Results
8. Closing Comments

Introductions / Project Team Organization



Stakeholder Group Mission

The City of Laramie Stakeholder Committee has been created to:

- Allow citizens and stakeholders the opportunity to represent the community in the ratemaking process in a cooperative effort
- Provide valuable input to the City regarding water and wastewater rates from the community and customer perspective
- Understand the challenges facing the utility, and how rates will be structured and implemented to help meet those challenges
- Educate the community and individual constituencies with respect to water and wastewater rate structures

Discussion Process

- All perspectives are valued
- The preferred deliberation process is collaborative problem solving
- Stakeholder Committee members will treat each other with respect (one person speaks at a time, etc.)

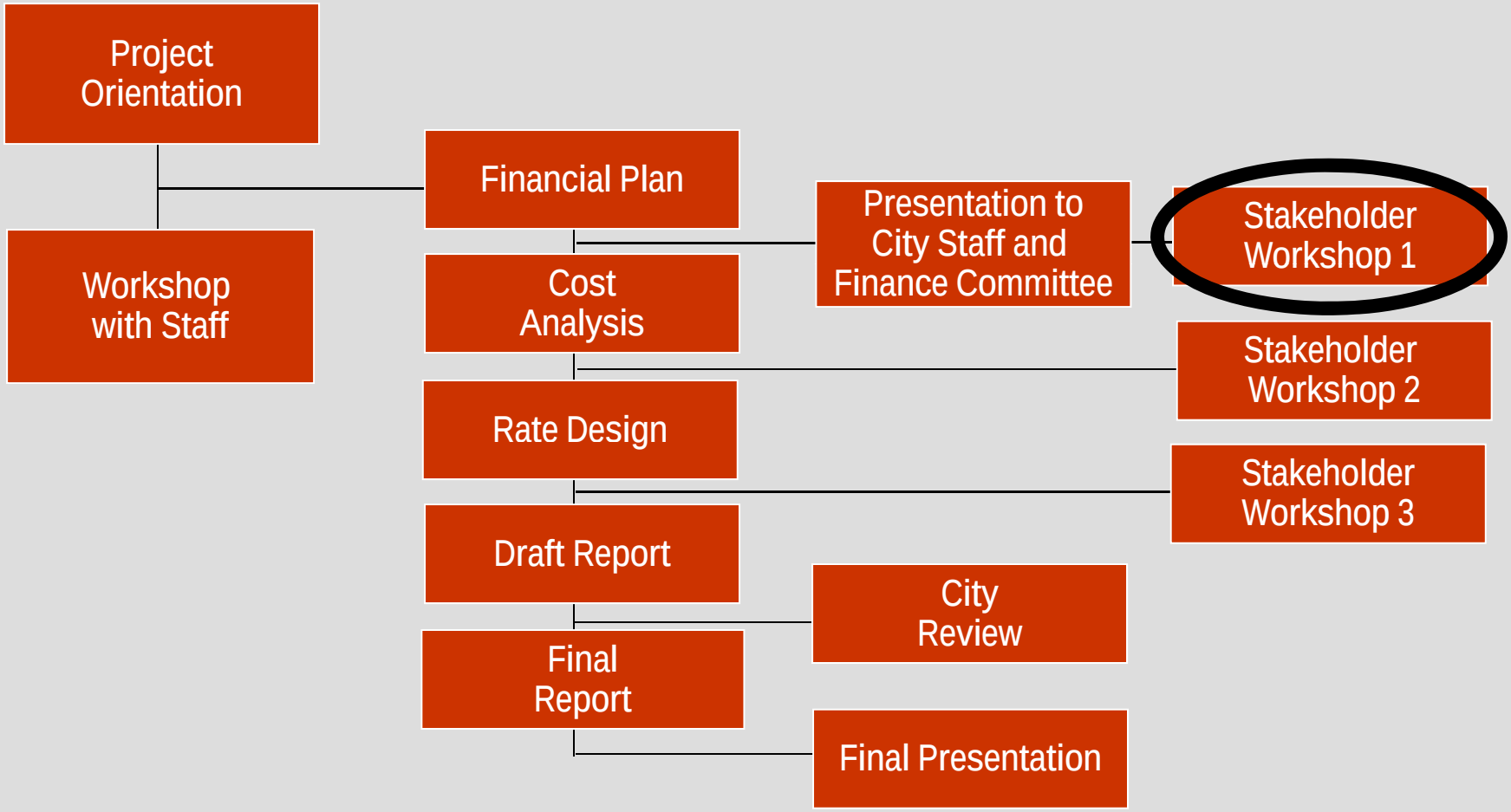
Stakeholder Committee Work Product

- Summary of the scope and content of Stakeholder Committee's discussion
- Findings and conclusions – to be provided to City Council
- At the conclusion of this process, Red Oak and the City will provide a draft of these items for your review.

Background

- Water & Sewer Enterprise Funds are self-sufficient
- Examine the utilities as separate enterprise operations, and establish the future revenue requirements for each utility.
- Develop a projection of cash flow and debt service coverage for the combined utilities over a ten-year study period.
- Study included three phases
  - Phase I - Prepare Financial Plan
  - Phase II - Cost of Service Analysis
  - Phase III - Design Rates

Background:
Rate Study Uses A Sequential Approach



Utility Infrastructure Overview

Richard Elliott
Public Works Director

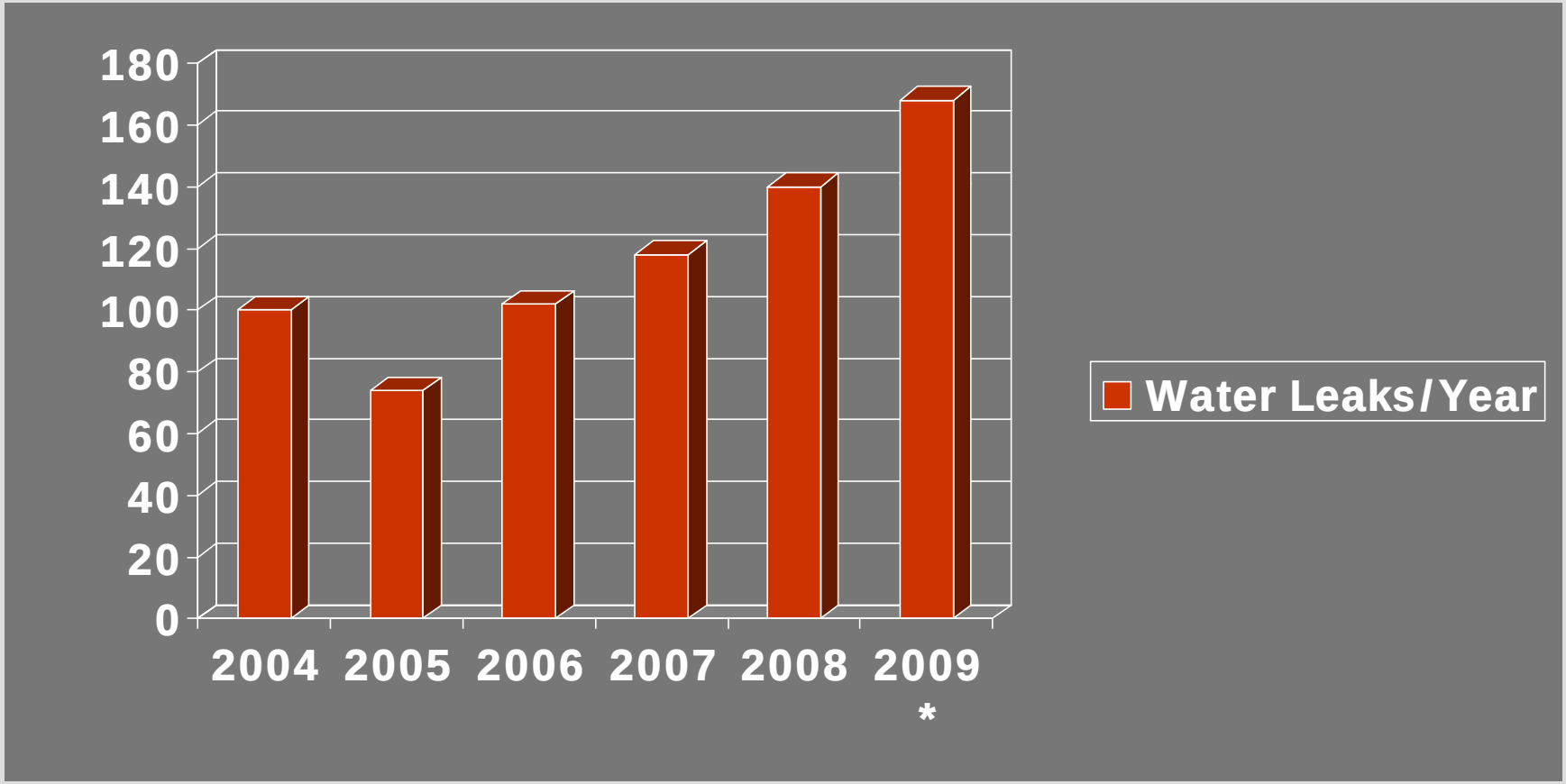
City of Laramie

Water Distribution System

- 260-miles of pipeline to be maintained
- 15-miles installed prior to 1928, most installed before 1950
- Majority of system is cast-iron pipe
- Soils in Laramie are corrosive to metal pipe
- Average replacement rate has been 1-mile/year
- Minimum benchmark is 4-miles per year

Examples of Water Pipe from Laramie System

Emergency Response Leaks



Sewer Systems

- 160-miles of sanitary sewer pipe and 170-miles of storm water pipe to be maintained
- Age of pipe mirrors the water system, most installed prior to 1950
- Minimum benchmark for replacement is 3.5-miles per year
- Replacement rate is < 1-mile per year

Inside the Sanitary Sewers

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Cost of Infrastructure

- Replacement costs for water or sewer pipe can exceed $300 per foot under asphalt
- Much of the system is undersized to serve the present needs (domestic and fire)
- Condition of existing systems constrain future development

Recent Activities

- Red Oak Consulting hired in 2008 to review City's utility rate structure
- Question: What would it take to reverse trends of failing and inadequate infrastructure?
- Question: Does current rate structure need to be changed?
- Form Stakeholders Group of representative citizens and rollout information at 3 meetings
- Provide final report with options and recommendations to City Council in mid-May

Schedule of Stakeholder Meetings

- Meeting #1: April 9 – Financial Plan
- Meeting #2: April 23 – Cost of Service Allocation
- Meeting #3: May 7 – Rate Structure Design

FINANCIAL PLANNING

Study Scope

- **Financial Plan**
  - Forecasts revenues needed to meet projected costs
- **Cost Analysis**
  - Determines cost basis for rate design
- **Rate Design**
  - Develops adequate, fair and understandable rates

Assumptions

- Beginning fund balance

Description	Water Amount	Wastewater Amount
Unrestricted Cash	$6,369,268	$3,719,839
Accrued Vacation Pay	(5,600)	7,700
One Year Annual Debt Service Payments	(1,384,000)	(931,000)
90 Days of O&M Expenses	(868,000)	(470,000)
Investments (restricted)	(393,800)	(1,000,000)
One Percent of Fixed Assets	(720,000)	(313,000)
Total Available Beginning Fund Balances	**$2,998,000**	**$1,013,500**

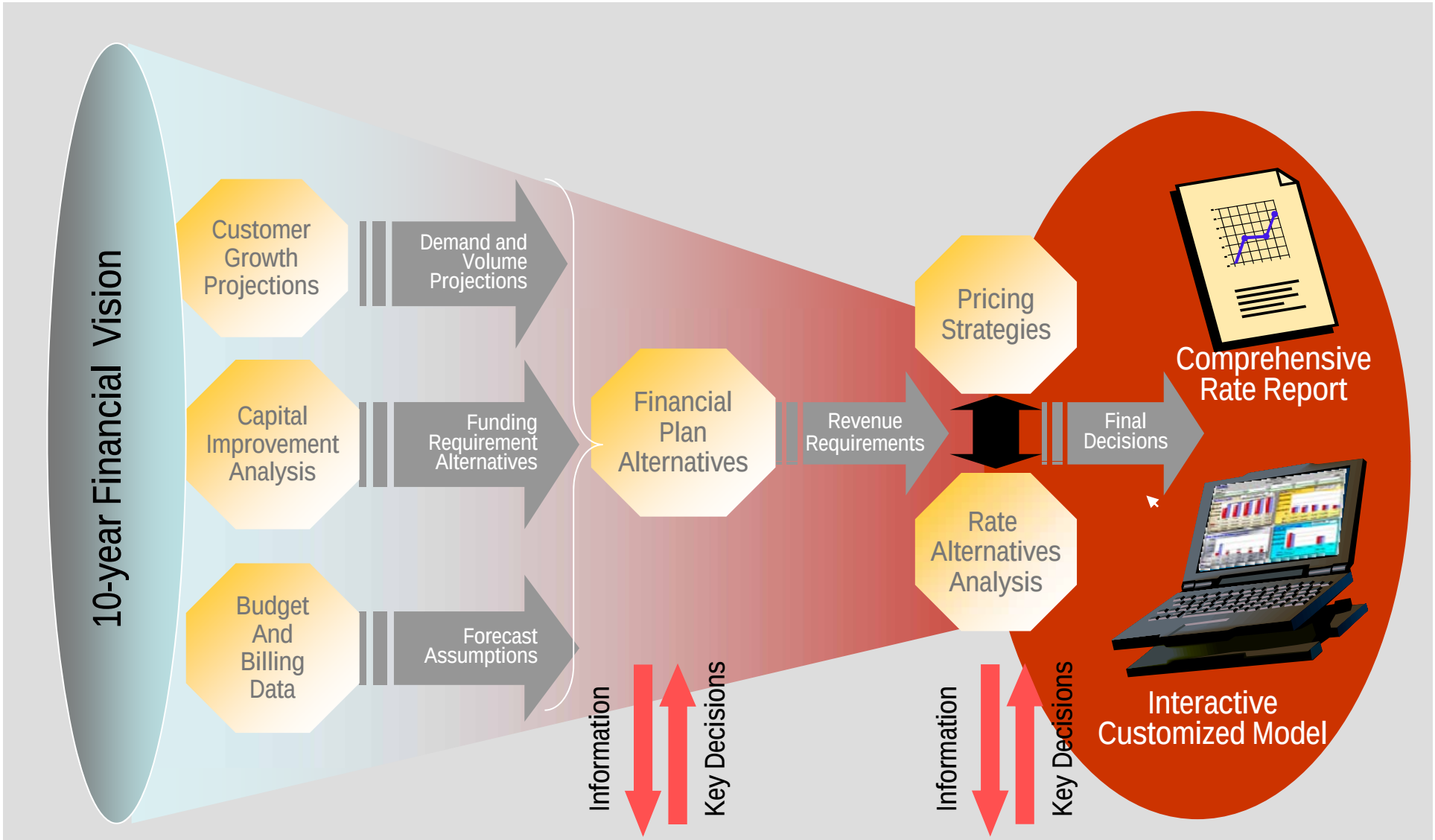
Assumptions (cont.)

- 2009 budget generally the basis for cash flow projection
- Growth rate: 1% per year
- Inflation
  - O&M expenses: 3.5%
  - Routine capital, including vehicles: 4.0%
  - CIP: 10%
- Proposed bonds: 20 year, 5.0%
- Proposed state loans: 20 year, 4.0%
- Investment income: 0.5%
- Targeted Reserves
  - Operating Fund: 90 days of O&M expenses
  - Capital Fund: 1% of fixed assets

Financial Planning – Revenue Sufficiency

Rate Revenue must be sufficient:

- To meet O&M, debt service, and capital requirements
- To meet established cash reserve or fund balance targets
- To meet legal debt service coverage requirements



Presentations/Interactive Sessions with Staff and Stakeholders

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Key Issues Facing the Utility and Addressed in the Financial Plan

- Renewal and Replacement of Infrastructure
- Number of utility personnel (or “Employee Efficiency”)
- Monolith Ranch Expenses
- Indirect Cost Reimbursement to the General Fund
- Vehicles
- O&M Cost Control

Revenue Requirements for Each Utility

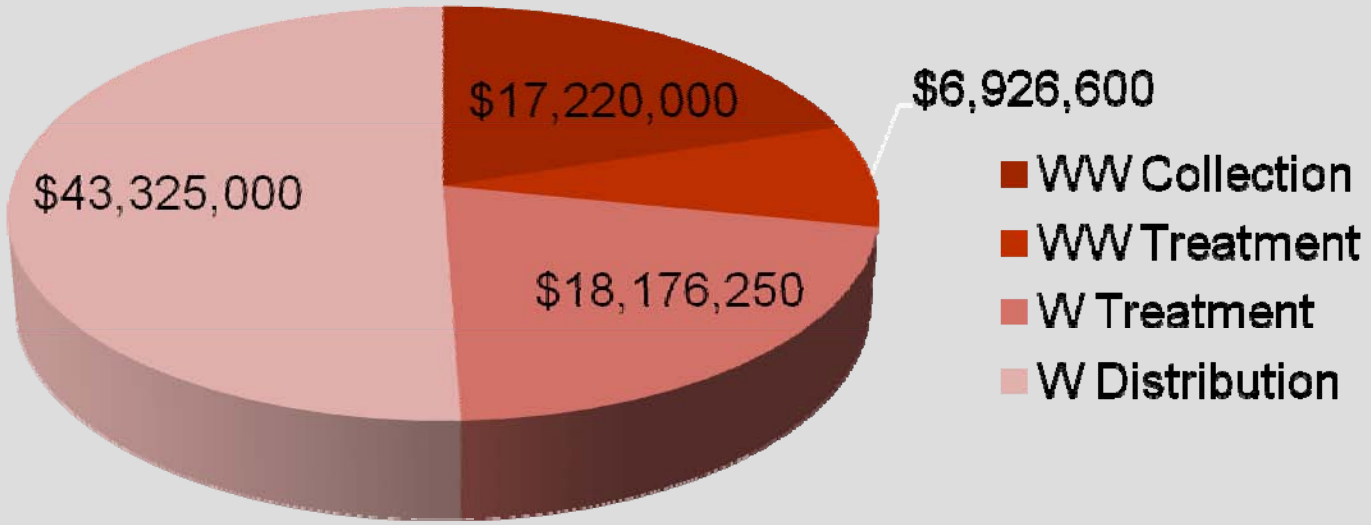
- Develop revenue requirements for a 10-year study period for water and wastewater operations
- Identify the level and timing of replacement funding options
- Recognize saving for aging infrastructure needs
- Identify loans required - update the cash flow analysis

Capital Funding

Types of capital needs:

- Growth Needs:
  - New demand
  - System expansion
- Renewal and Replacement Needs:
  - Provide for greater efficiency or system redundancy
  - Replace assets that become obsolete, wear out or otherwise exceed their useful life

Financial Plan Supports a Water and Wastewater CIP of $85,650,000 (2009 Dollars)



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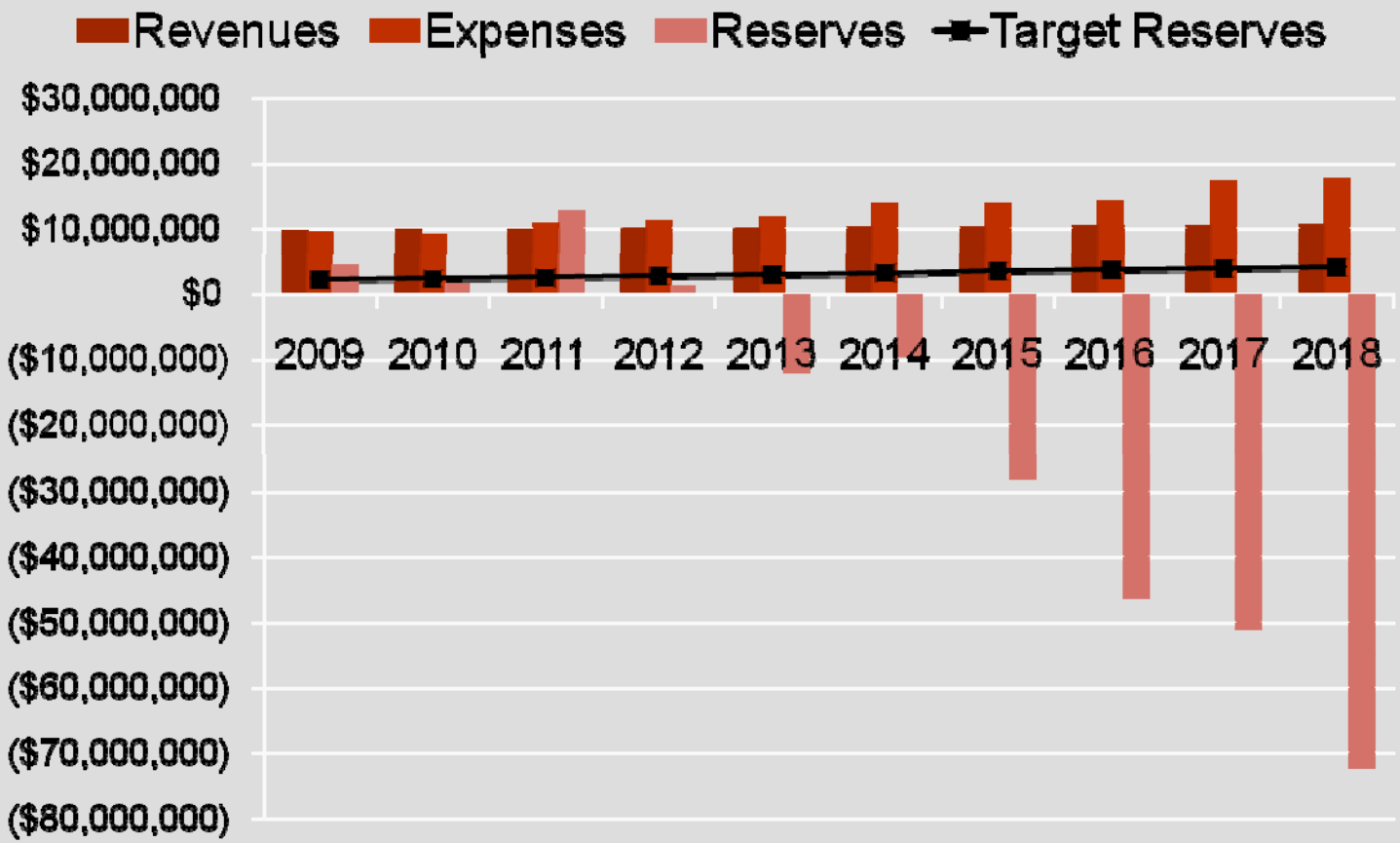
Alternative Sources of Capital Financing

- User fees
- Federal, State grants and loans
- Specific Purpose Tax
- Bonding
- Plant investment fees
- Special Assessments

Financial Plan Summary

- Findings summarized in April 9, 2009 Memorandum.
- 10-year study period
- Cash flow of revenue and revenue requirements
- Reserves
  - Operating Fund
  - Capital Fund
- Annual revenue adjustments
- Debt service coverage

Financial Forecast With Existing Revenues (Rates)



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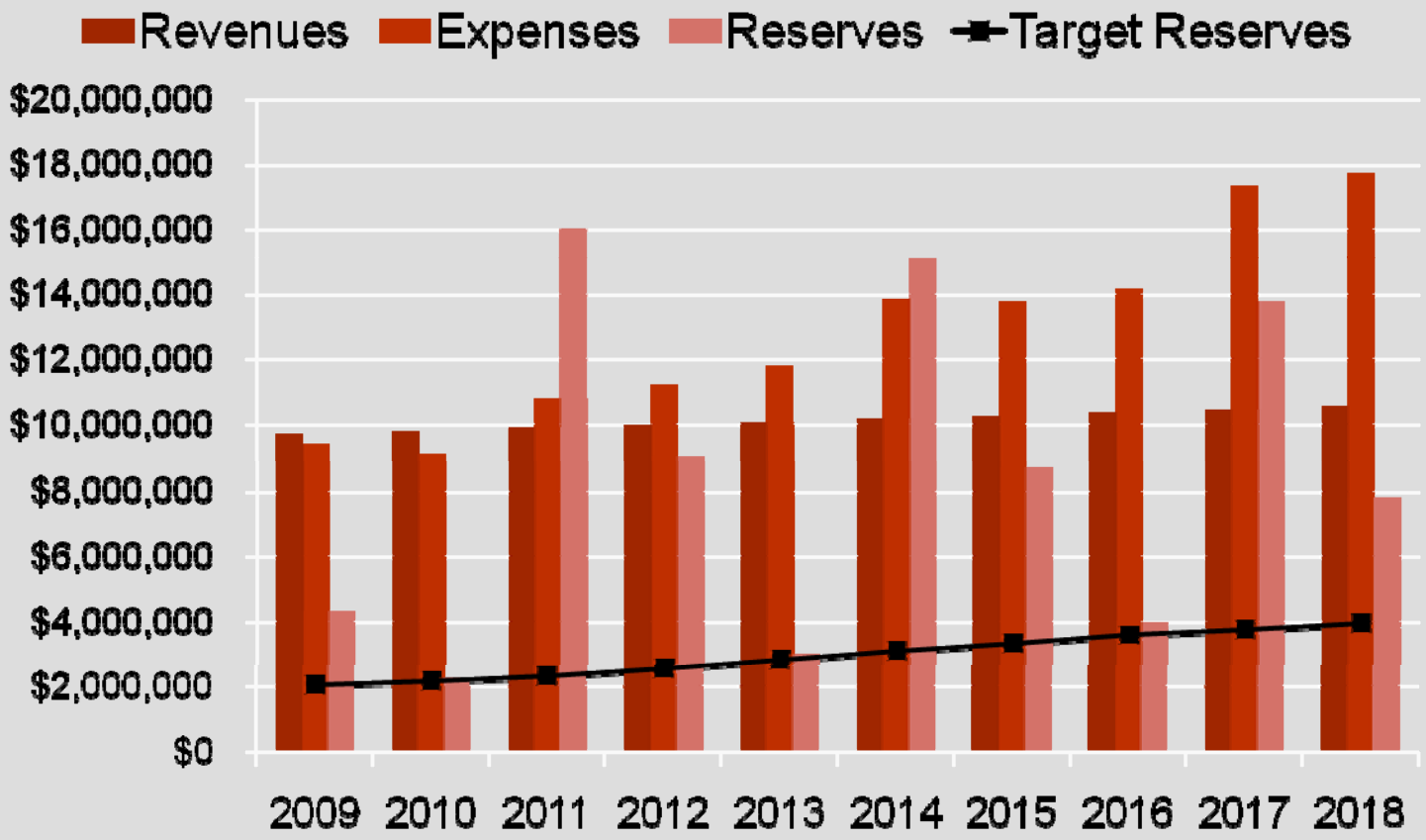
Annual *Revenue* Adjustments Needed to Sustain Financial Health

Year	Water	Wastewater
2009	0%	0%
2010	19%	18%
2011	17%	18%
2012	17%	17%
2013	17%	16%
Cumulative	91%	89%

Financial Forecast Under *Proposed* Revenues (Rates)



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Stakeholder Meeting Schedule

- Meeting #1: Financial Plan – April 9, 2009
- Meeting #2: Cost of Service – April 23, 2009
- Meeting #3: Rate Design – May 7, 2009

Closing Comments

For Additional Information Contact

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Current Water Rates

Charge	Amount
Base Fee by Meter Size	
¾”	$ 13.67
1”	$ 22.97
1 ½”	$ 45.22
2”	$ 73.21
3”	$ 136.39
4”	$ 227.53
6”	$ 455.14
8”	$ 727.94
Metered Water Charge	$2.30 per 1,000 gallons

* Waterline replacement program monthly charge of $4.24 is assessed to each meter in addition to the base charge.
** Outside city limits is $2.87 per 1,000 gallons.

Current Residential Wastewater Rates

Charge	Amount
Base Fee – All Meter Sizes	$ 9.83
Consumption Charge*	$2.22 per 1,000 gallons
* Based on January, February and March water consumption from the previous year usage for the residence. The average of the three months is the consumption used each month for the entire year.	

Current Commercial Wastewater Rates

Charge	Description	Amount
Base Rate		$9.83
Consumption Rate		
CA	Restaurants	$ 3.73
CB	Bars & Taverns	$ 4.75
CC	Entertainment & Service	$ 3.55
CD	Laundries, Schools & Stores	$3.23
CE	Office Buildings	$ 2.98
CF	Hotels & Motels	$ 2.59
CG	Hospitals, Athletic Clubs, Apt, Daycares, Dorms, Residences	$2.21