



**CITY COUNCIL EXECUTIVE COMMITTEE MEETING
CITY COUNCIL CHAMBERS, THIRD FLOOR, CITY HALL,
#1 CITY HALL PLACE, PUEBLO, COLORADO 81003.**

**MONDAY, MAY 6, 2024
5:30 PM**

Individuals Requiring Special Accommodations Should Notify the City's ADA Coordinator at (719) 553-2295 by Noon on the Friday Preceding the Meeting.

Executive Committee meetings are special meetings of the City Council and are informal Council meetings for the purpose of receiving information and discussion among Council Members; no official action is taken at such meetings. The public is invited to attend, but public comment is generally not received unless otherwise noted.

Agenda

CALL TO ORDER

PRESENTATIONS

- | | |
|--|-----------|
| A. CITY UPDATE | 5:30 p.m. |
| Brian McCain, Chief of Staff | |
| 5 minute presentation | |
| B. LOBBYIST UPDATE | 5:35 p.m. |
| Gil Romero - Capitol Success Group | |
| 15 minute presentation | |
| C. WASTEWATER RATE STUDY | 6:00 p.m. |
| Jason Mumm - Principal - FCS Group | |
| Melanie Hobart - Project Manager - FCS Group | |
| 30 minute presentation | |
| D. 2025 BUDGET PLANS | 6:45 p.m. |
| Heather Graham, Mayor | |
| Alexandria Romero, Director of Finance | |
| 30 minute presentation | |

ADJOURNMENT



city of

PUEBLO

colorado

Wastewater Rate Study



Melanie Hobart
Project Manager, FCS GROUP

Jason Mumm
Principal, FCS GROUP



FCS GROUP
Solutions-Oriented Consulting

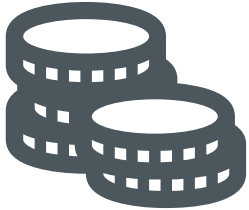


Agenda

- **Background**
 - Overview of Study Objectives
 - Wastewater Utility Status
- **Annual Revenue Requirements**
 - Assumptions & Policies
 - Capital Needs
 - Recommended Rate Path
- **Questions / Next Steps**



2023 Scoped Study Objectives



Update the 10-year wastewater rate forecast (2024 - 2033)

Assess the sufficiency of previously identified rate increases

Develop alternative scenarios, while maintaining average residential bills at < 1.5% of the median household income

Maintain compliance with City's fiscal policies



Review Plant Investment Fees (PIF) and Connection Fees

Recommend the previously adopted 2024 fee be maintained at this time

Coordinating with City staff to update next year as needed



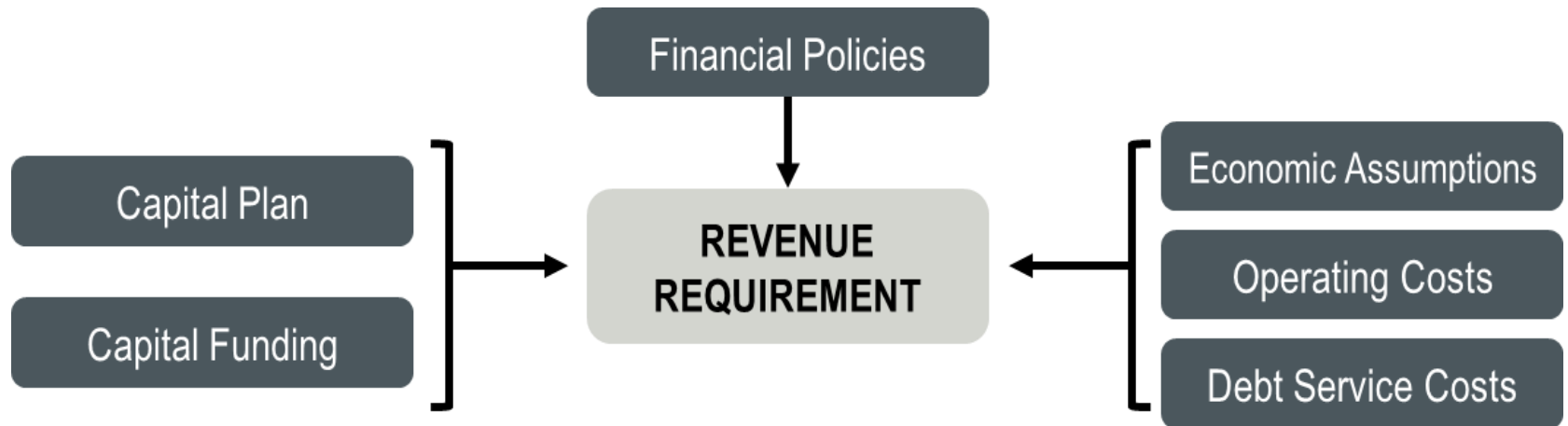
State of the Wastewater Utility

- **Proposed rate path adjustments from 2021 Rate Study:**
 - » 5% (2022 & 2023)
 - » 3% (2024)
 - » 3.5% (2025 – 2031 annually)
- **Near-term Capital spending of \$179.4M in 2023 Rate Study (Inflated \$'s)**
 - » Capital spending has increased by \$74.7 million (2024 – 2028)
 - Repair and replace aging infrastructure
 - Annual electrical system rehabilitation programs
 - Nutrient removal upgrades to meet permit standards



Overview of Revenue Requirement

- **Multi-year evaluation of annual revenue to meet all utility financial obligations**
 - » Promotes long-term financial stability
 - » Minimizes financial impact on customers by balancing resources



Key Assumptions

Near Term Annual Cost Inflation *(2024)*

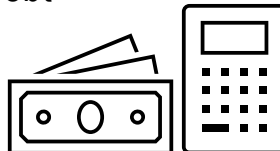
- General (CPI): 4.5%
- Labor: 3.0%
- Benefits: 3.25%
- Construction Costs (CCI): 4.5%

Long Term Annual Cost Inflation *(2025 – 2033)*

- General (CPI): 3.5%
- Labor: 2.75%
- Benefits: 3.25%
- Construction Costs (CCI): 3.5%

Operating Forecast

- Generally based on the 2024 Budget
 - » Adjusted for inflation in future years
- Beginning Fund Balances
 - » Operating Reserve: \$12,256,827
 - » Capital Reserve: \$37,948,668
 - » Debt Reserve: \$13,674,364
- Early Repayment of Existing Debt
 - » 2009 WPCRF Loan
 - » 2014 WPCRF Loan



Debt Issuance

- Revenue Bonds
 - » Interest rate 4.0%
 - » Repayment Term: 20 Years
 - » Issuance Costs: 1.0% of Amount Issued
- State Loans
 - » Interest rate 3.0%
 - » Repayment Term: 20 Years

Annual Growth Rates

- Average New Customer Growth: 0.5% per Year

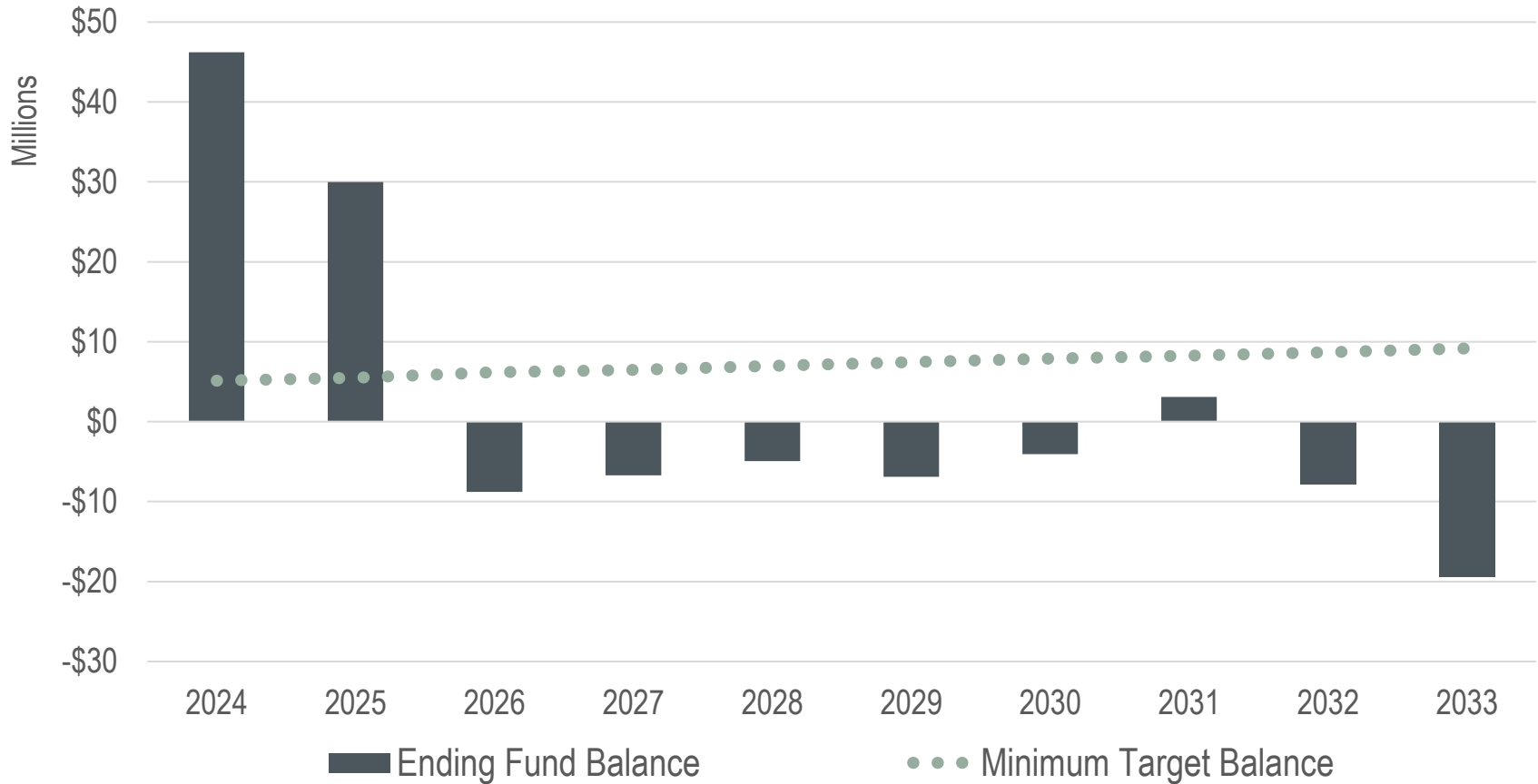


Guiding Utility Policies

Fiscal Policy	Purpose	Target	
		Policy	2024 Benchmark
Operating Reserve	Liquidity cushion to accommodate fluctuations in cash flow	90 Days of Operating Expenses	\$3.0 M
Capital Reserve	To address emergency repairs and unanticipated capital repairs	1% of the cost of system assets	\$2.1 M
Debt Service Coverage	Compliance with debt covenants, preserving credit rating for future debt issuance	Debt Service Ratio > 110%	Debt Service Ratio > 150%



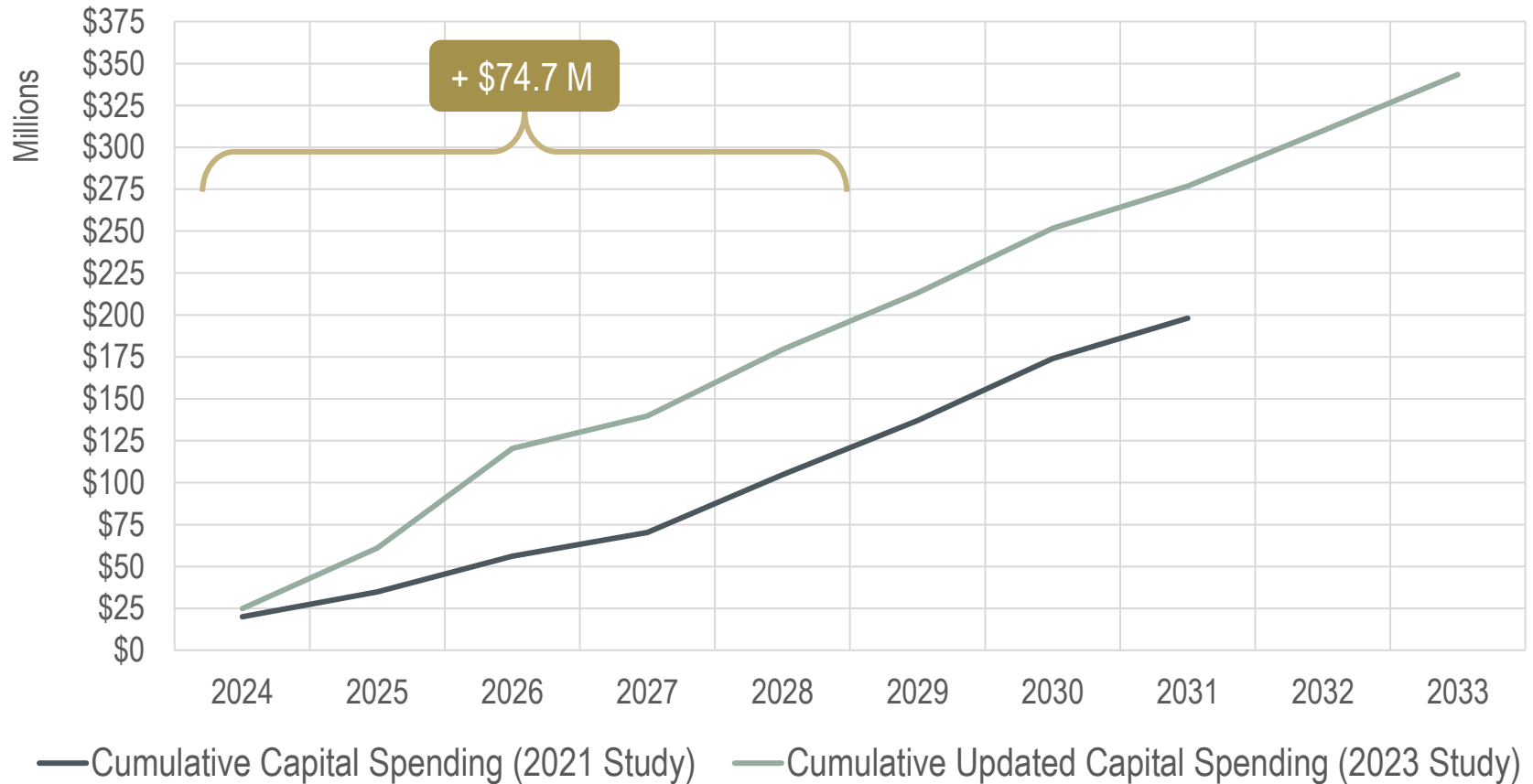
Trajectory of Ending Fund Balance: Previous Rate Study



Previous rate path, from 2021 Rate Study, no longer allows the utility to meet the minimum target balance due to increased near-term capital needs



Cumulative Capital Spending (Inflated \$'s)

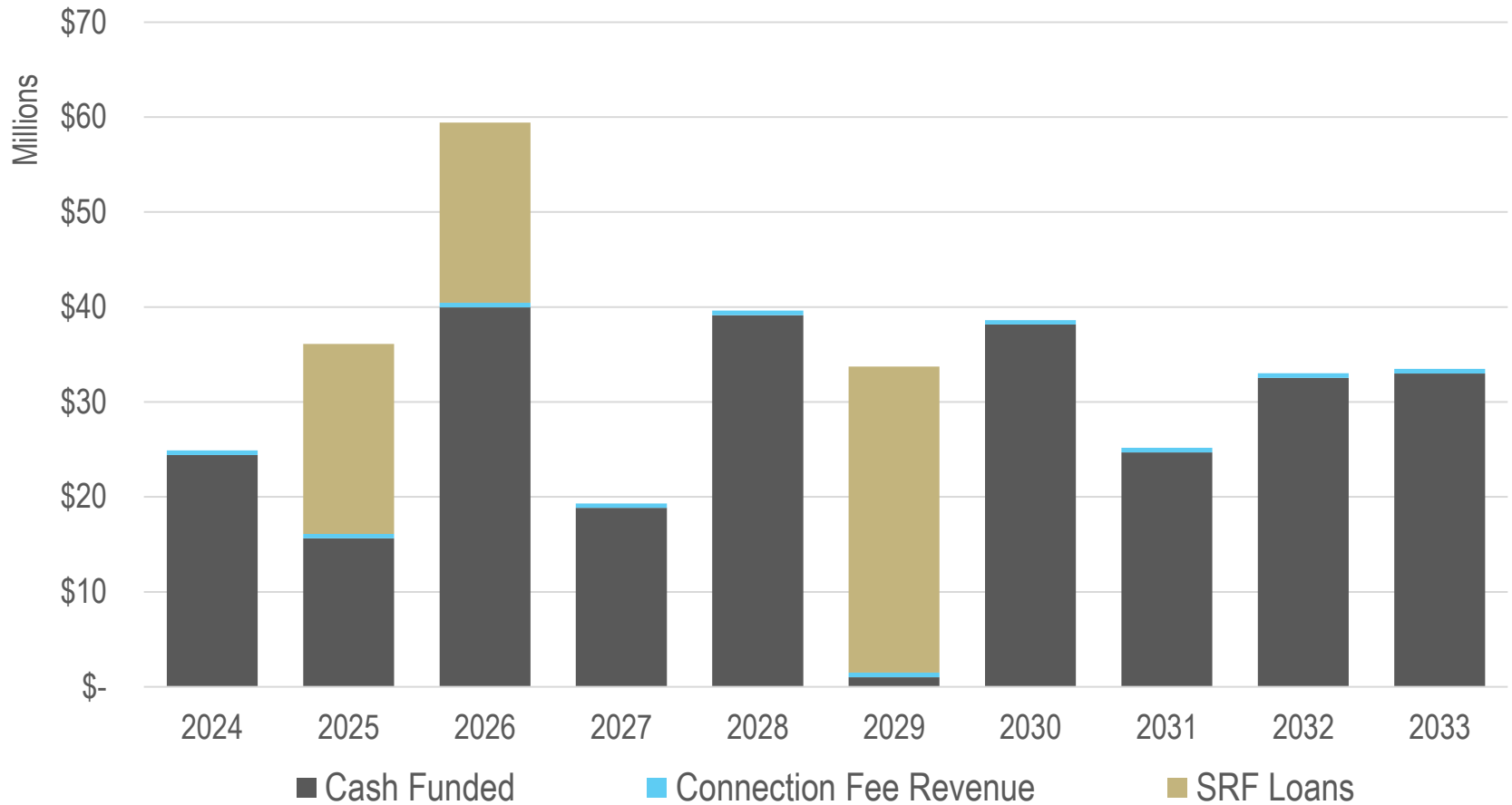


- Sewer Rehab and Replace: \$73.7 M
- Secondary Clarifier Replacement: \$52.9 M

- North and East Central Trouble Spots: \$22.7 M
- Primary Clarifier #3: \$10.3 M



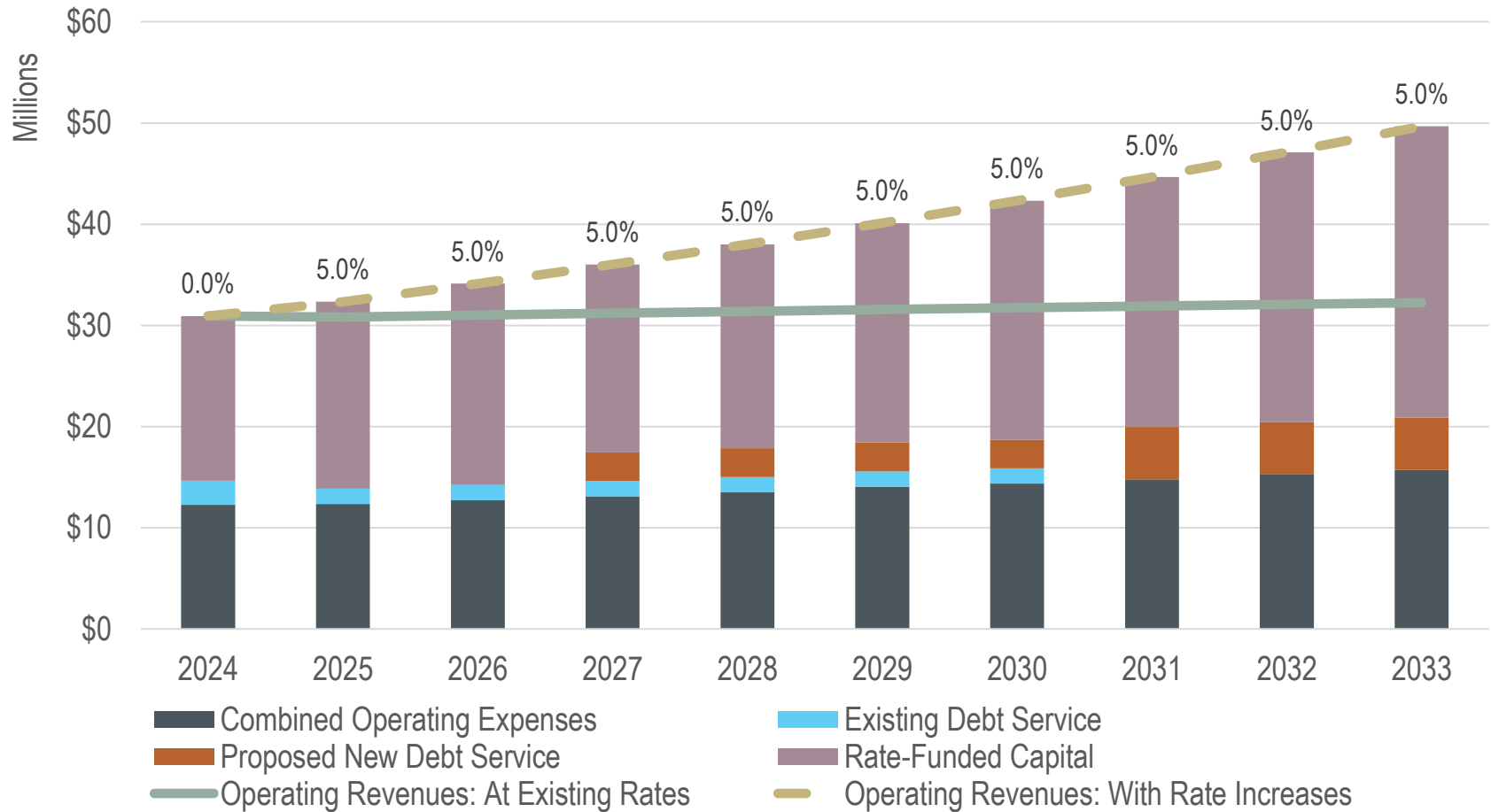
Capital Funding Forecast (Inflated \$'s)



- » 77.9% Cash Funded
- » 1.4% Connection Fee Revenue
- » 20.7% SRF Loan Proceeds



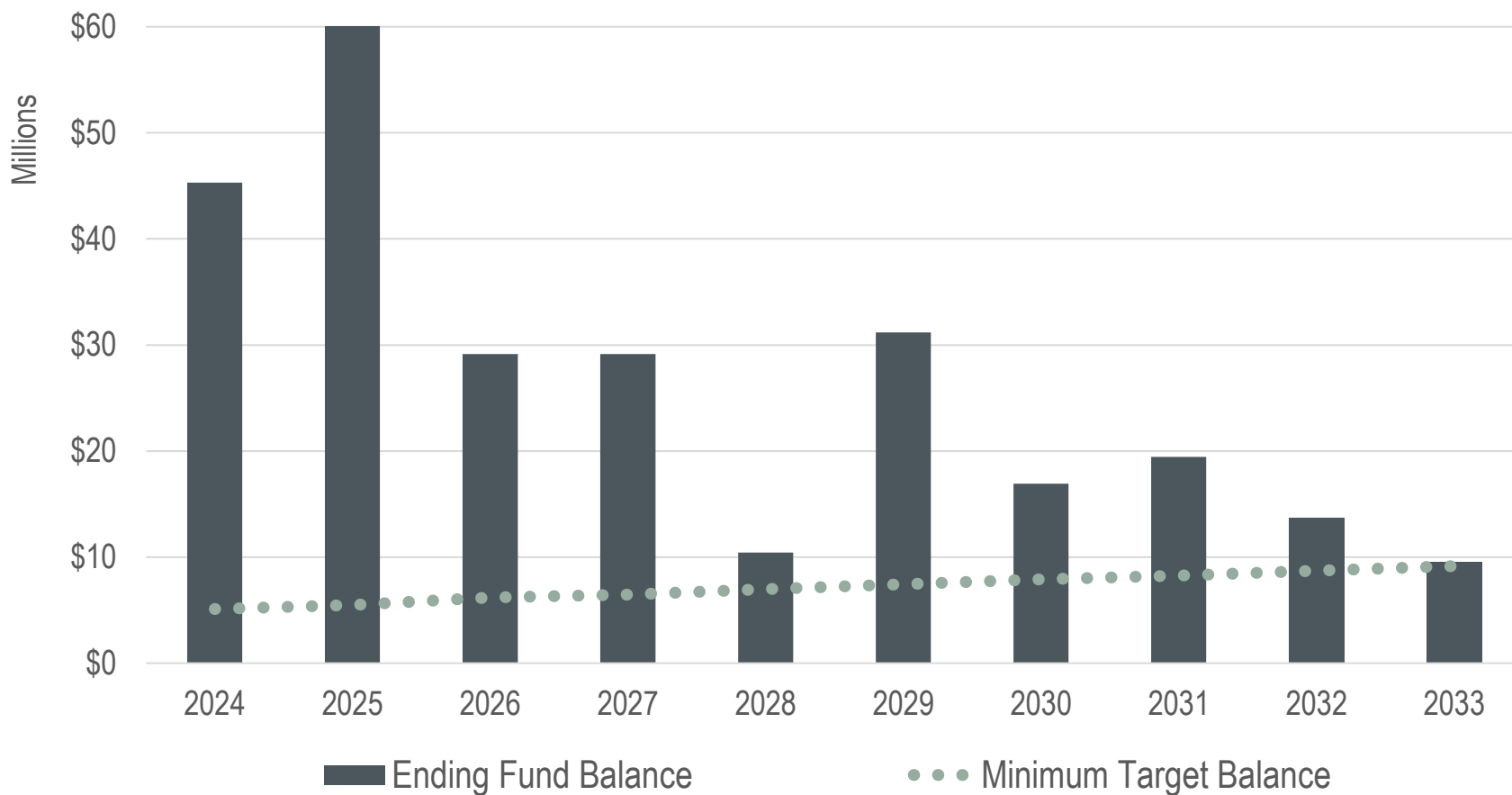
Proposed Operating Revenue Requirement



To address reserve requirements and additional capital needs, a 5.0% rate increase is needed annually through 2033.



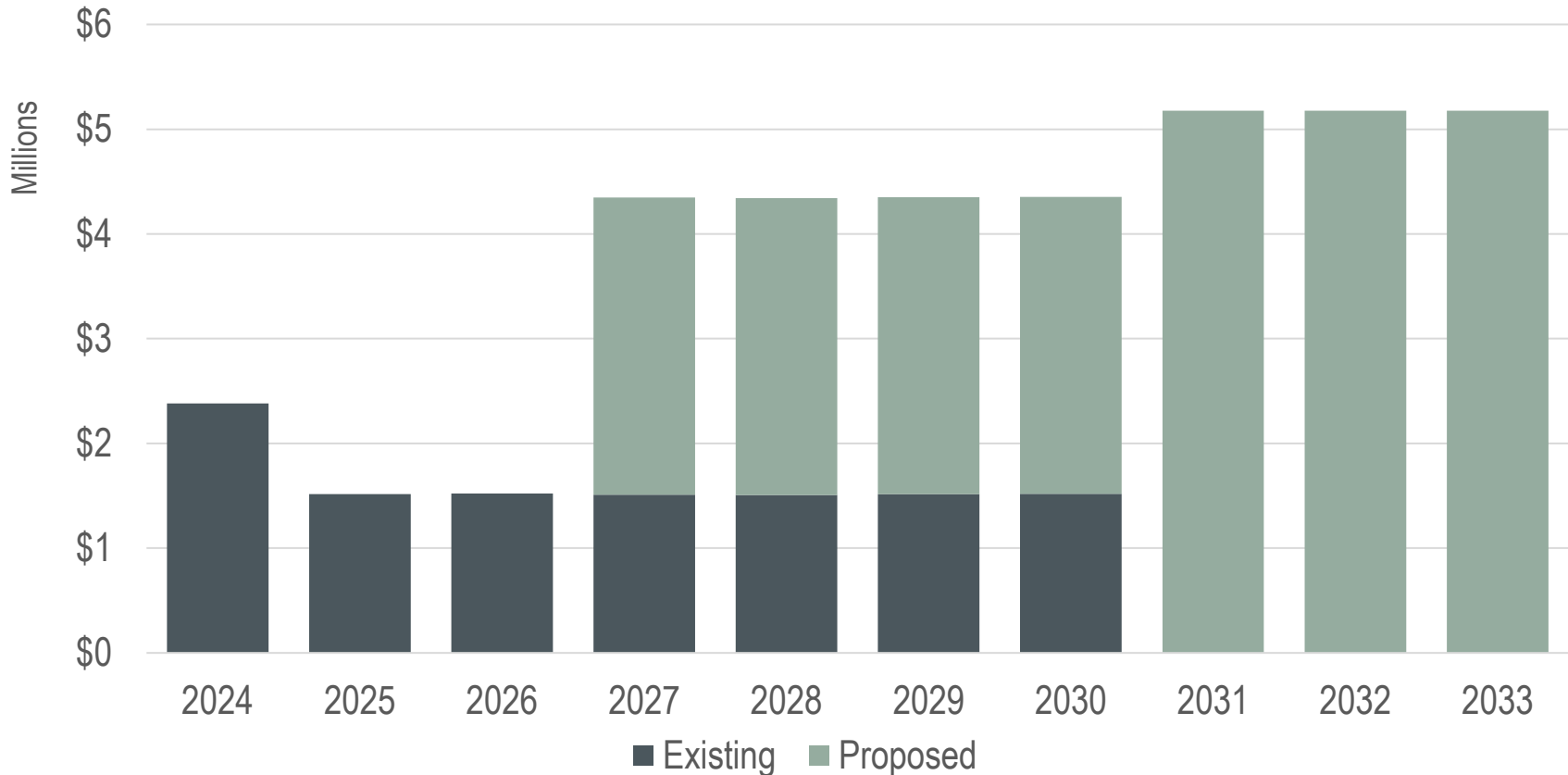
Trajectory of Ending Fund Balance: 2023 Rate Study



The ending fund balance meets all fiscal policy targets in the forecast period and is drawn down as needed for capital spending



Annual Debt Service Forecast

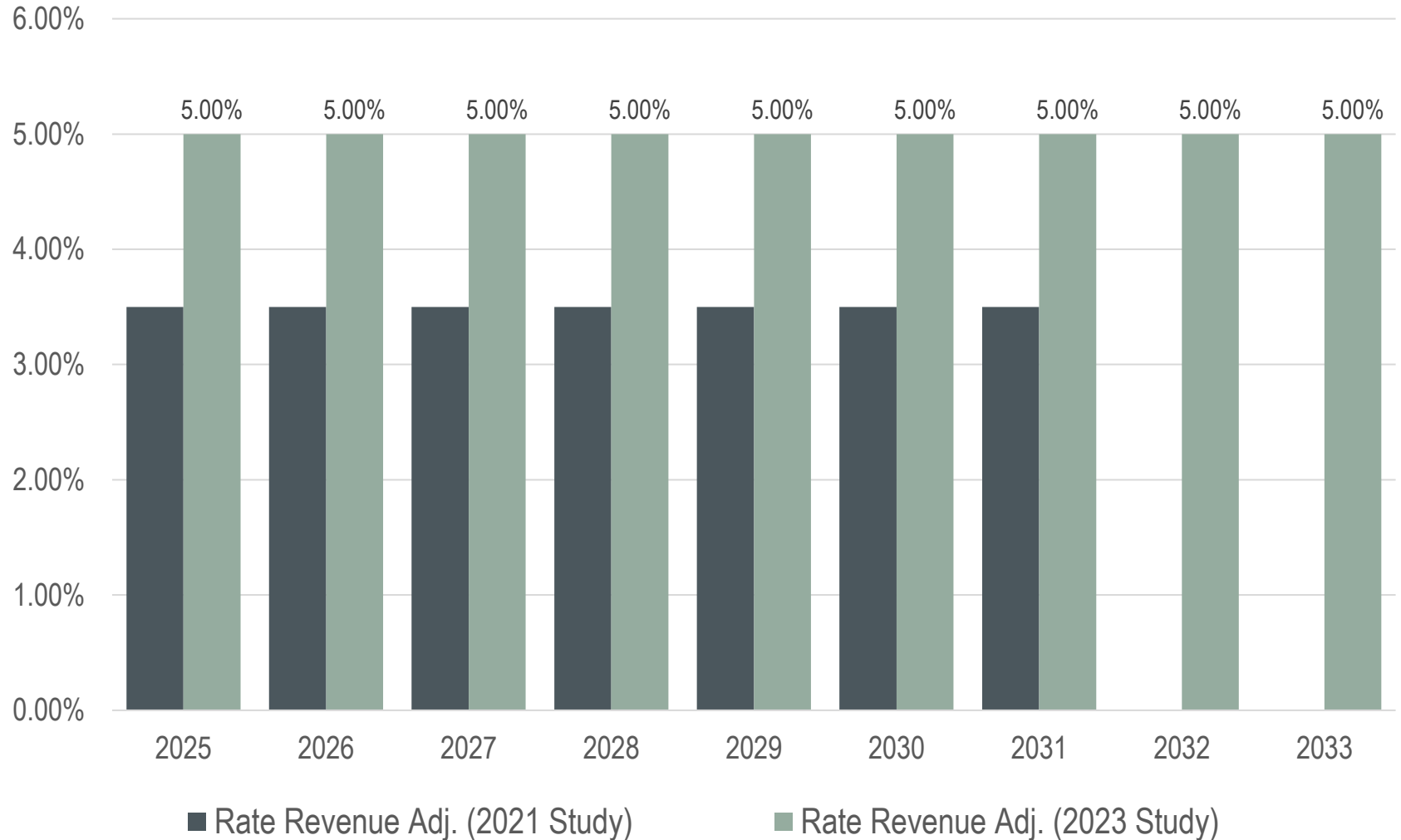


Forecasted Debt Proceeds and Year of Issuance:

- SRF - \$39 million in 2025 (Secondary Clarifier Replacement)
- SRF - \$32.2 million in 2029 (Gravity Thickener / Tertiary Process)

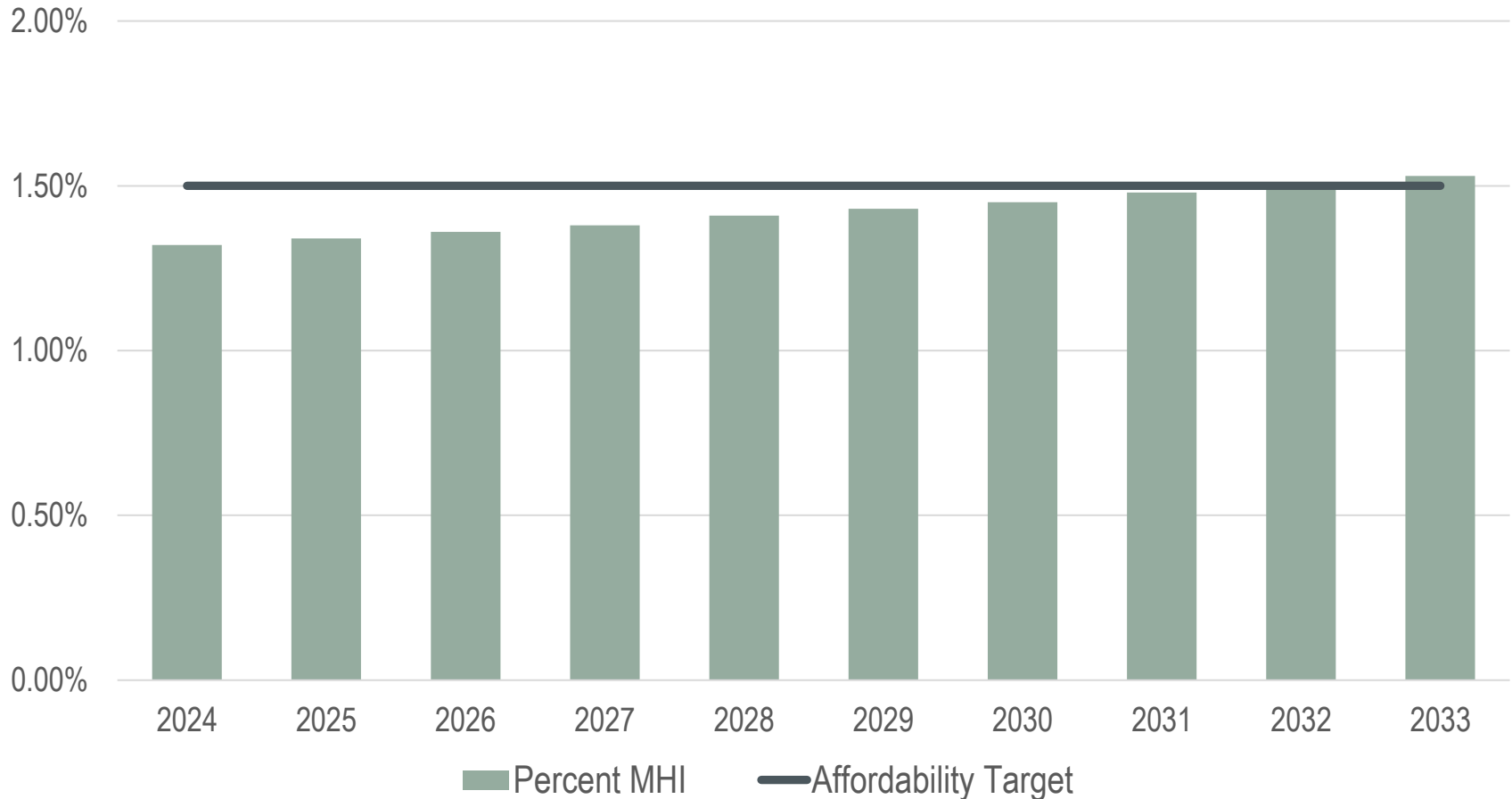


Proposed Rate Revenue Adjustments





Bill Impact to Average Residential Customer



Rate increases narrow the gap between MHI and the affordability target, exceeding the target at the end of the forecast.



Summary / Next Steps

- **A 5.0% increase is needed annually through 2033**
 - » \$74.7M additional capital in the near-term
 - » \$71.2M in SRF loan proceeds (2025 & 2029)
- **Next steps**
 - » Monitor actuals against plan
 - » Take another look at the PIF and Connection Fees in future years



Rate Schedule

Across-the-Board Rate Schedule	Adopted 2024	ATB 2025	ATB 2026	ATB 2027
Annual System-Wide Rate Increase	3.00%	5.00%	5.00%	5.00%
Fixed Monthly charge by Meter Size				
3/4"	\$26.32	\$27.64	\$29.02	\$30.47
1"	\$31.31	\$32.88	\$34.52	\$36.25
1 1/2"	\$47.13	\$49.49	\$51.96	\$54.56
2"	\$70.39	\$73.91	\$77.60	\$81.49
3"	\$125.33	\$131.60	\$138.18	\$145.09
4"	\$183.84	\$193.03	\$202.68	\$212.82
6"	\$301.01	\$316.06	\$331.86	\$348.46
8"	\$399.07	\$419.02	\$439.97	\$461.97
Volume Charge: per kgal of water usage				
Non-Industrial Use	\$6.14	\$6.45	\$6.77	\$7.11
Industrial Use	\$6.14	\$6.45	\$6.77	\$7.11
Blende Sanitation District Non-Industrial Use	\$4.87	\$5.11	\$5.37	\$5.64
Blende Sanitation District Industrial Use	\$4.87	\$5.11	\$5.37	\$5.64
Septic Haulers	\$84.15	\$88.36	\$92.78	\$97.41

Thank you! Questions?

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