



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

**MONDAY, AUGUST 12, 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. PEDCO UPDATE | 5:35 p.m. |
| Jeff Shaw - President & CEO | |
| 15 minute presentation | |
| C. WASTEWATER RATE STUDY | 6:05 p.m. |
| Andra Ahrens, Director Wastewater | |
| 30 minute presentation | |

ADJOURNMENT



city of

PUEBLO

colorado

Wastewater Rate Study



Melanie Hobart
Project Manager, FCS GROUP

Jason Mumm
Principal, FCS GROUP



Agenda

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



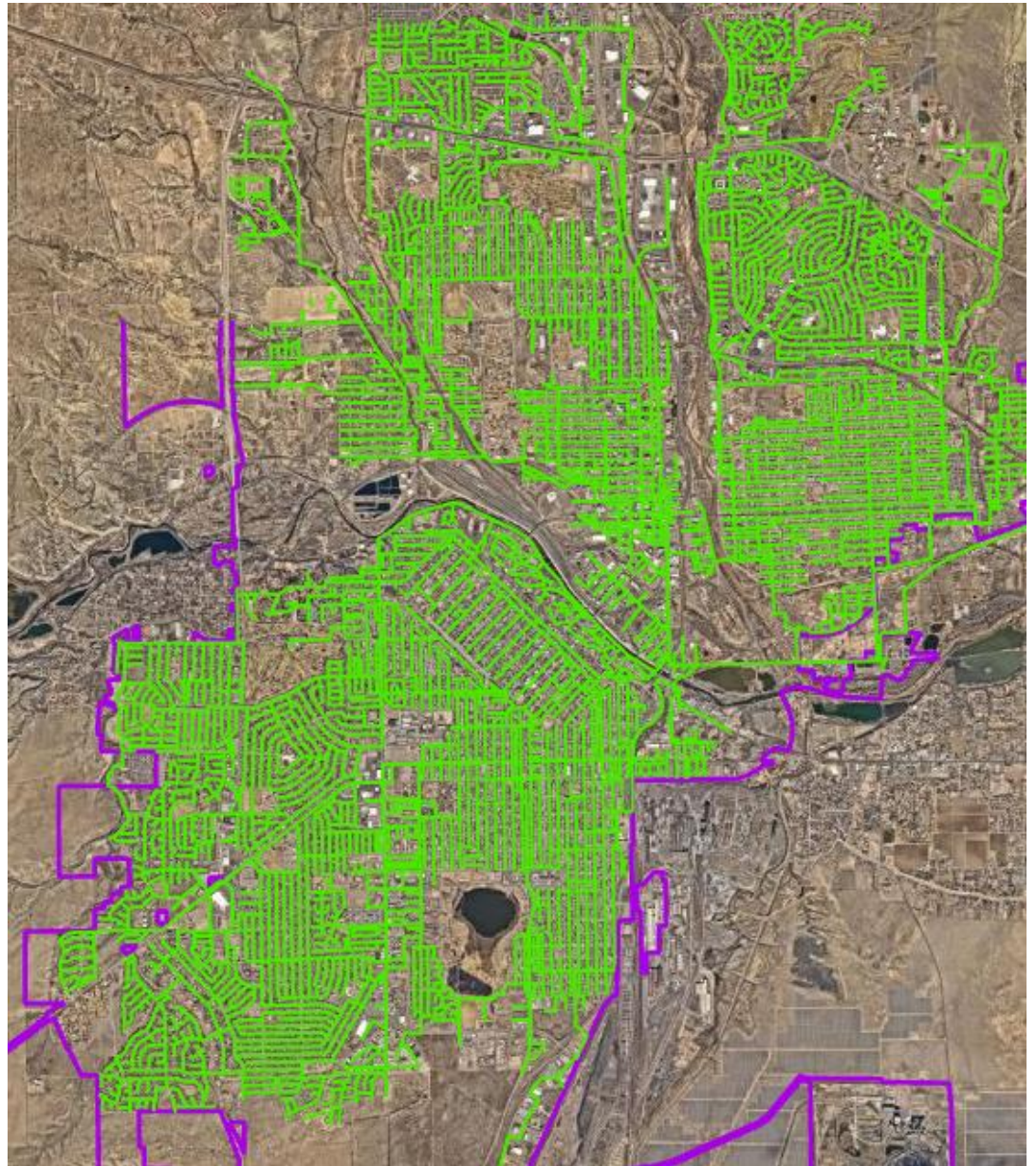
Overview of the Wastewater Dept.

- **Wastewater Dept. Divisions**
 - » Administration
 - Collections
 - » Water Reclamation Facility
 - » Engineering
 - » Pretreatment

Overview of the Wastewater Dept

The Collection Division
cleans and televises 473
miles of pipe.

That is the same number of
miles as traveling to
Oklahoma City.



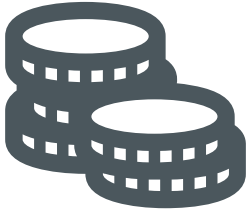


Overview of Wastewater Dept





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

- **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

Aging Infrastructure

495844.0 495841.7

UTILITY BORE





BROKEN / DEFORMED

446017.9446007.8



BROKEN / ROOT

515105.4 525180.5



HOLE VOID VISIBLE

465049.8475047.9



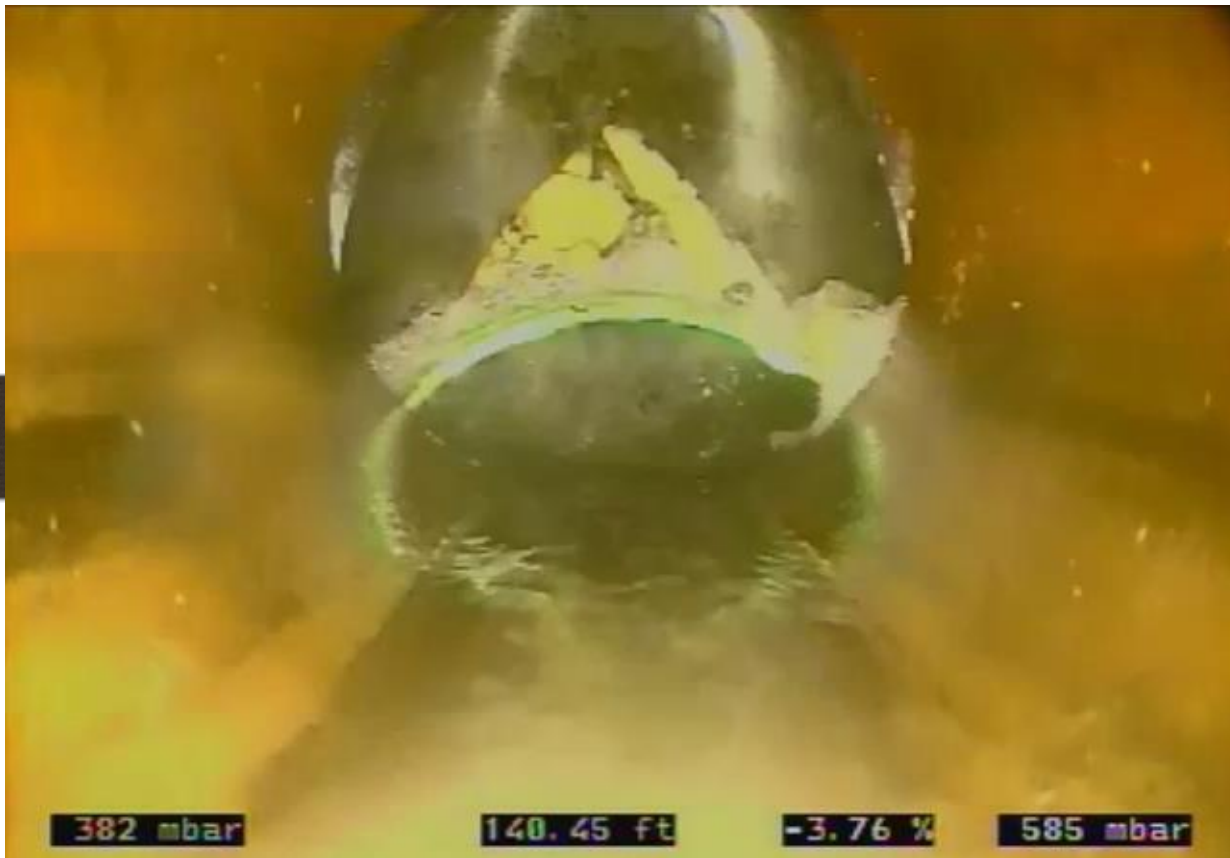
INFILTRATION – RUNNER

525168.6 525168.1



OBSTRUCTION

495373.24953694



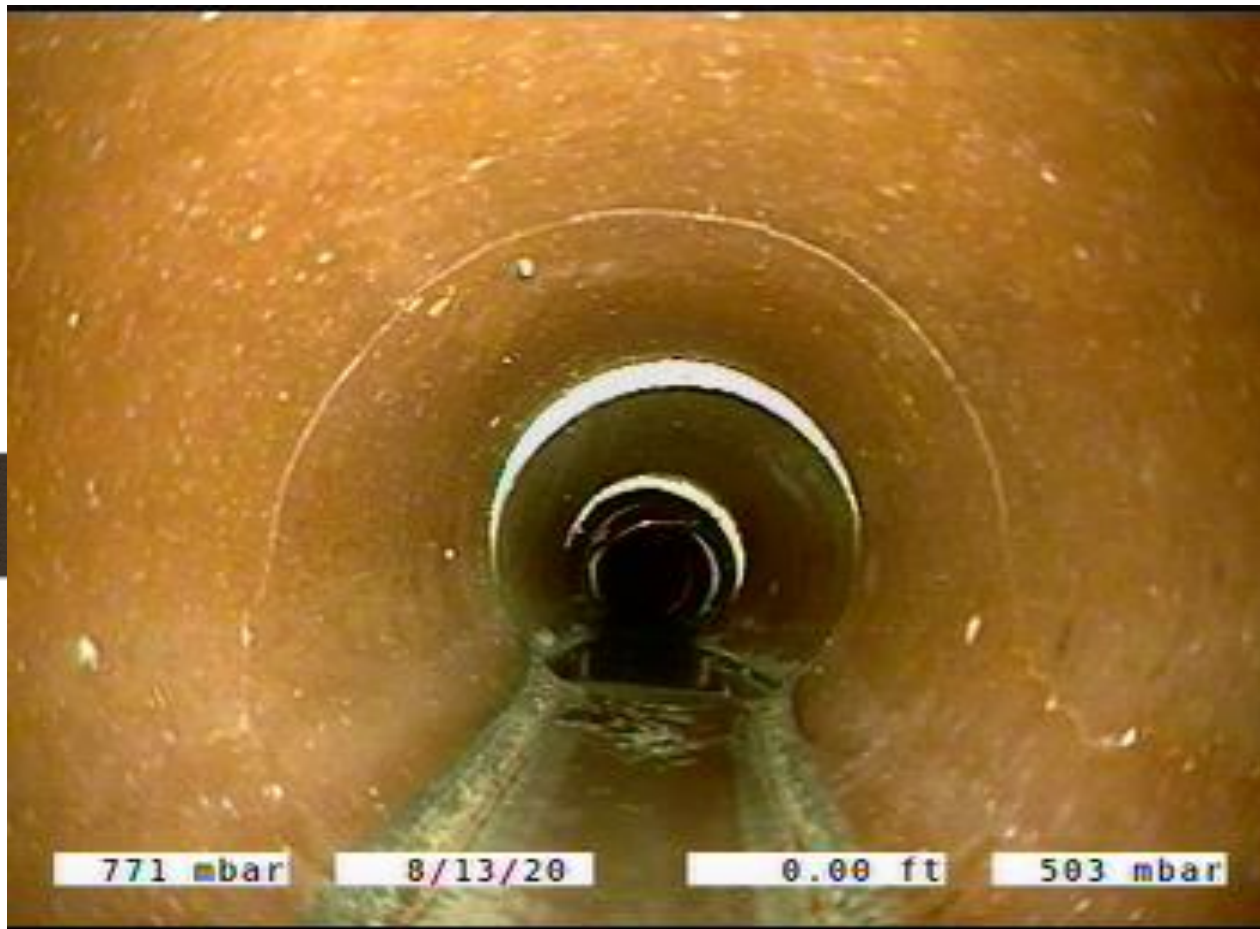
JOINT SEPARATION

424984.6 424983.7



JOINT OFFSET

424247.1424343.0



BROKEN

565436.9575430.4



HOLE WITH VOID

474009.4 474008.4



HOLE SOIL VISIBLE AND FRACTURED PIPE

494667.0494741.7



BROKEN VOID VISIBLE

575430.4 575425.7



Aging Infrastructure

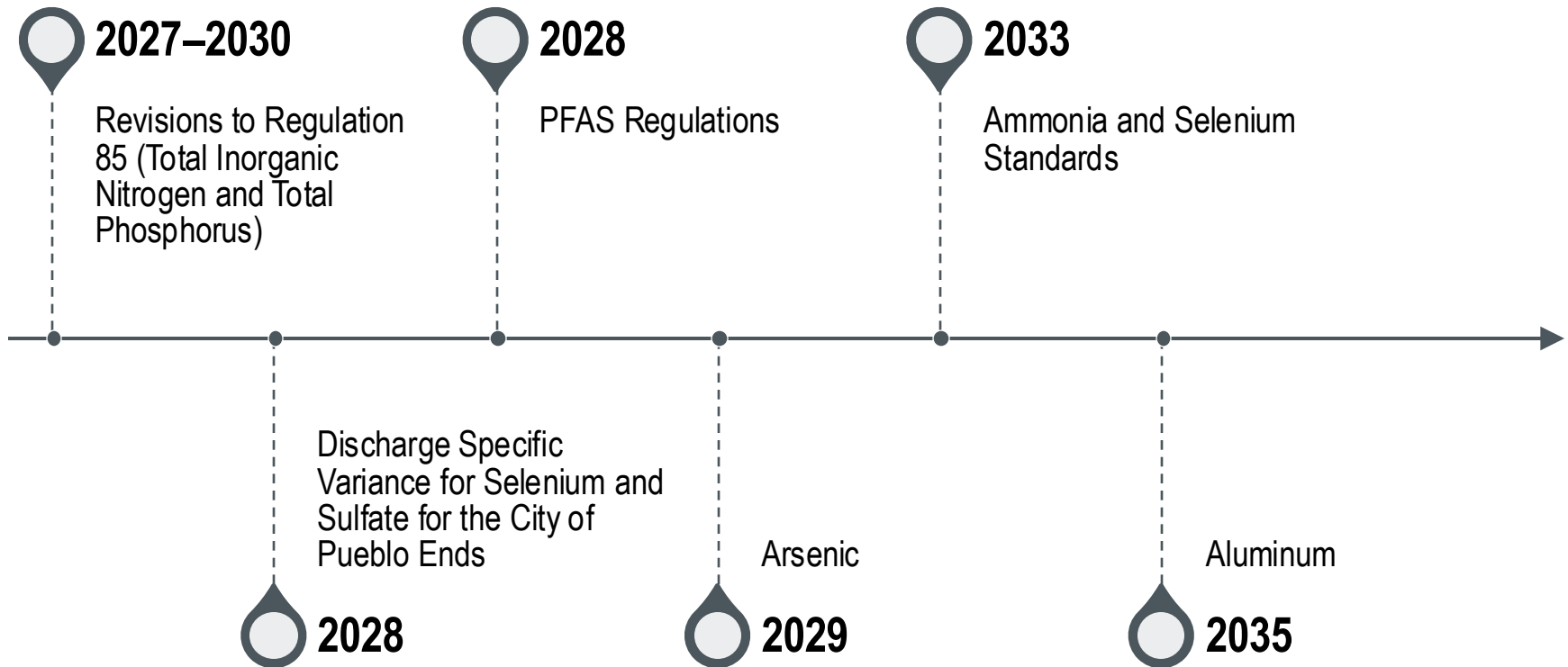


Aging Infrastructure





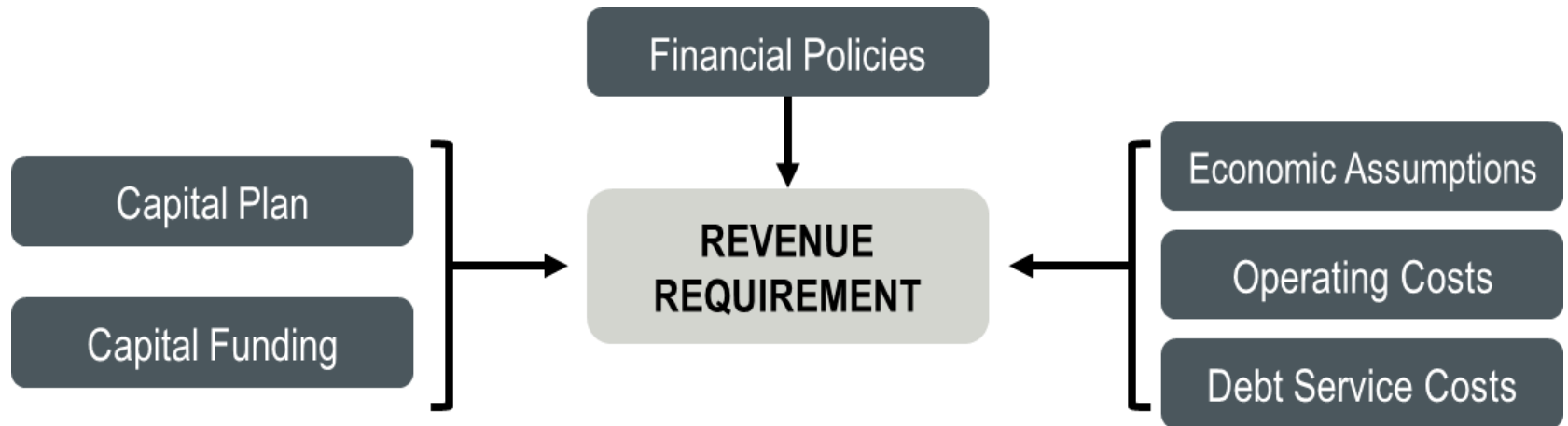
New Regulation Requirements





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)*

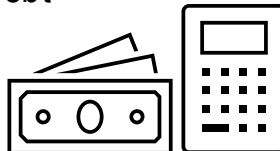
- General (CPI): 4.5%
- Labor: 3.0%
- Benefits: 3.25%
- Construction Costs (CCI): 4.5%

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

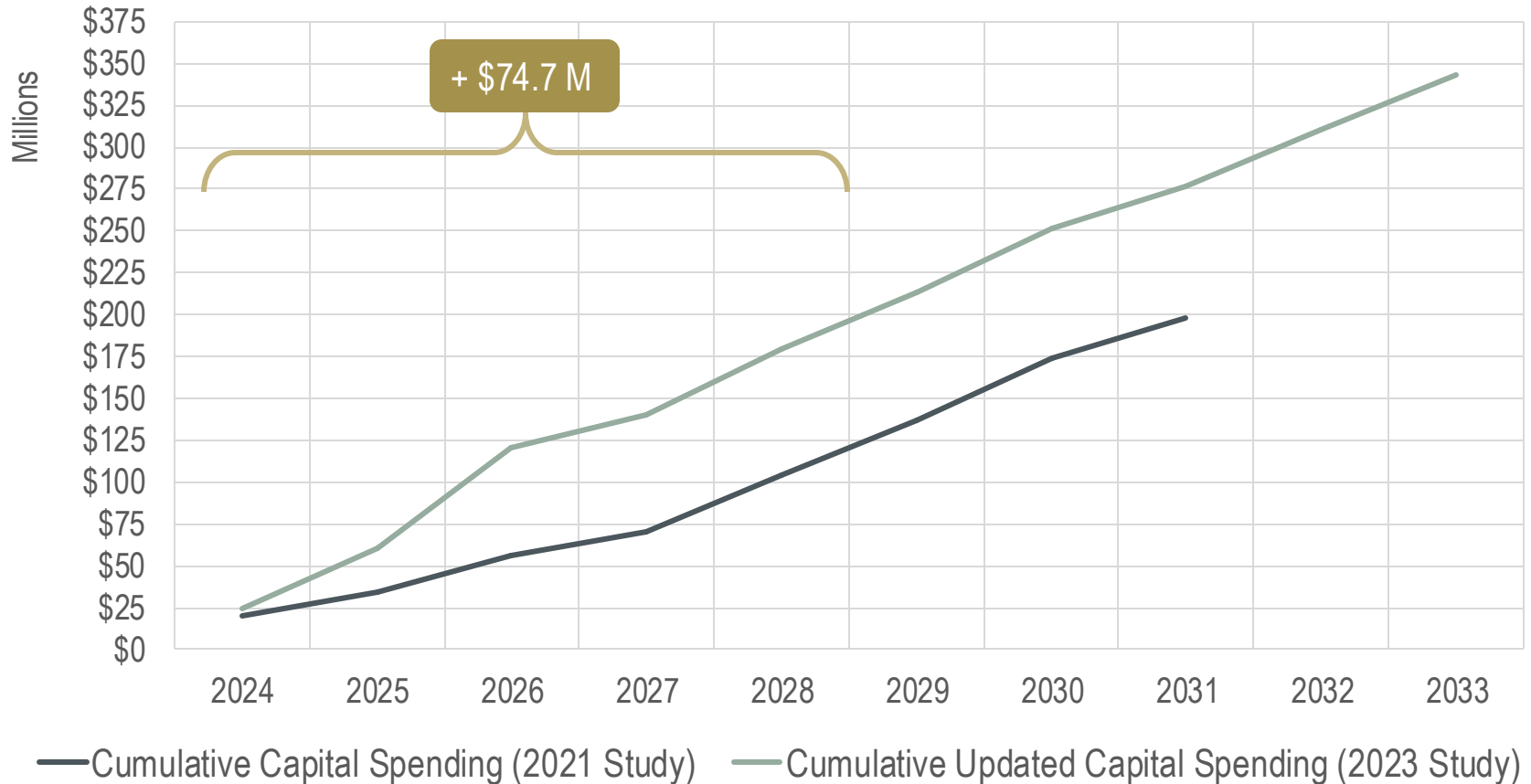


Guiding Utility Policies

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%



Cumulative Capital Spending (Inflated \$'s)



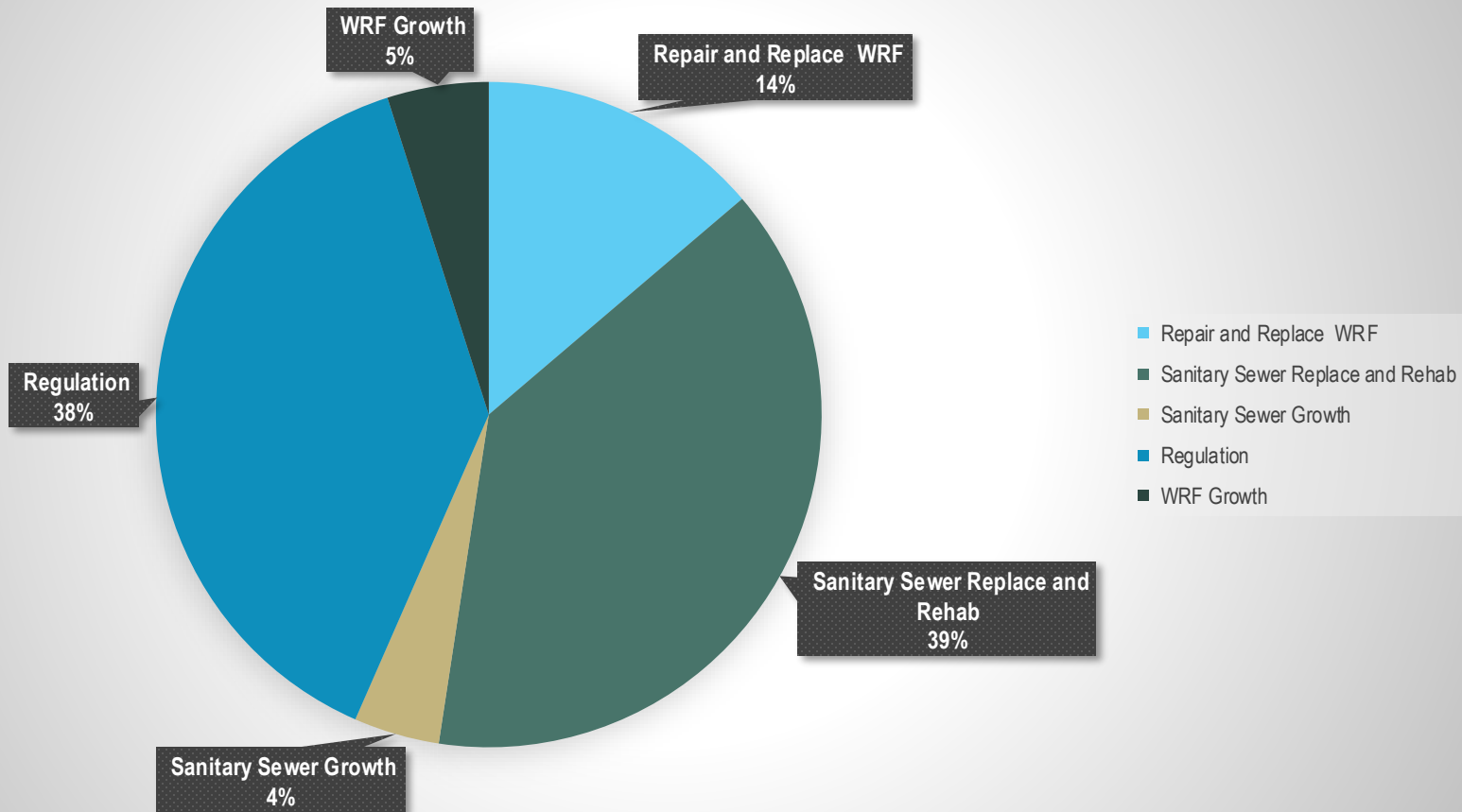
- Sewer Rehab and Replace: \$73.7 M
- Secondary Clarifier Replacement: \$52.9 M

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



Capital Improvement Costs by Category

Capital Improvement Totals by Category



Capital Projects



Capital Projects



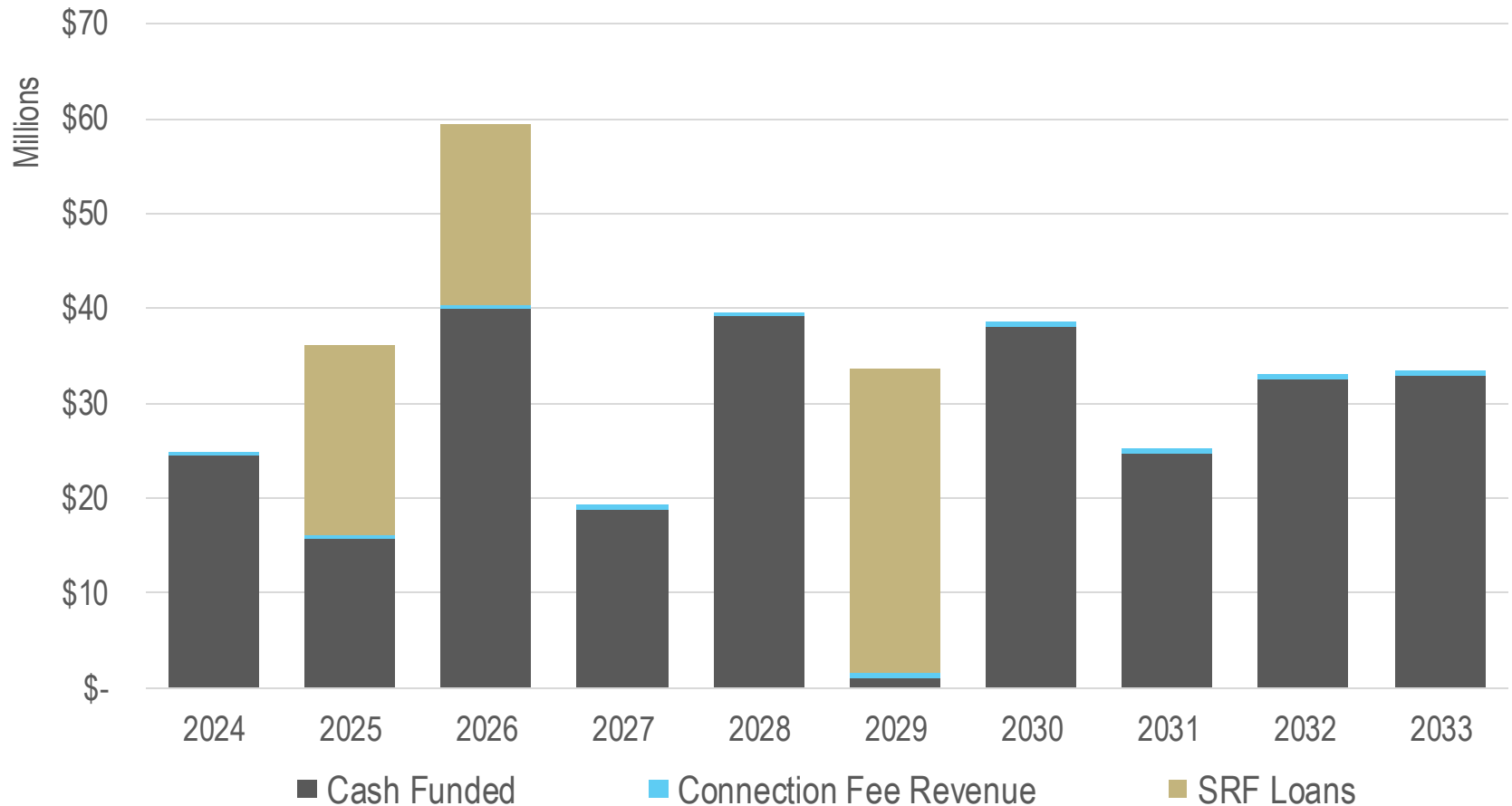
Current Rehab List
as of 8/6/2024

**Number of rankings
5 and above – 391**

**Miles of rankings 5
and above – 23**



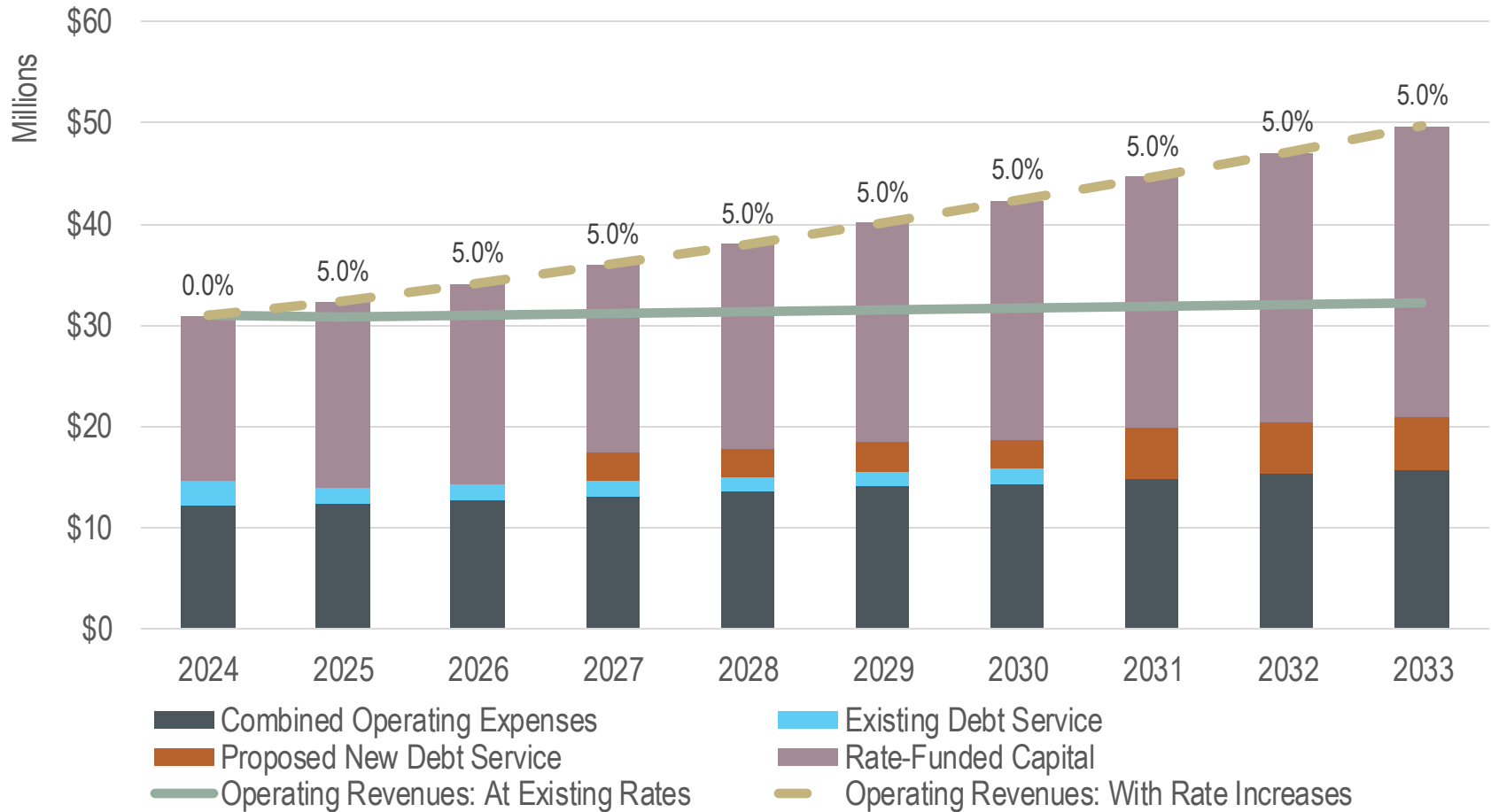
Capital Funding Forecast (Inflated \$'s)



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



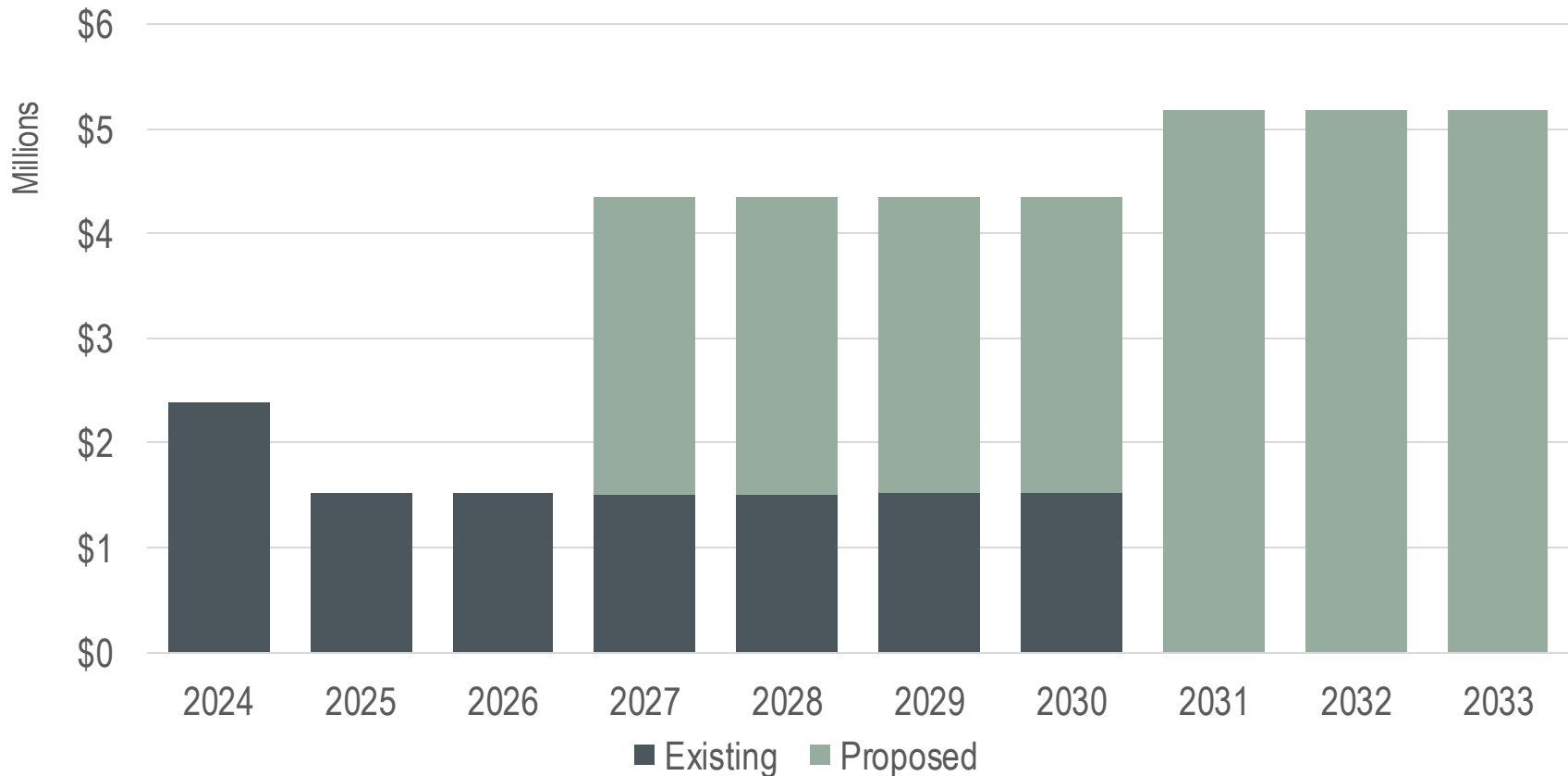
Proposed Operating Revenue Requirement



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



Annual Debt Service Forecast

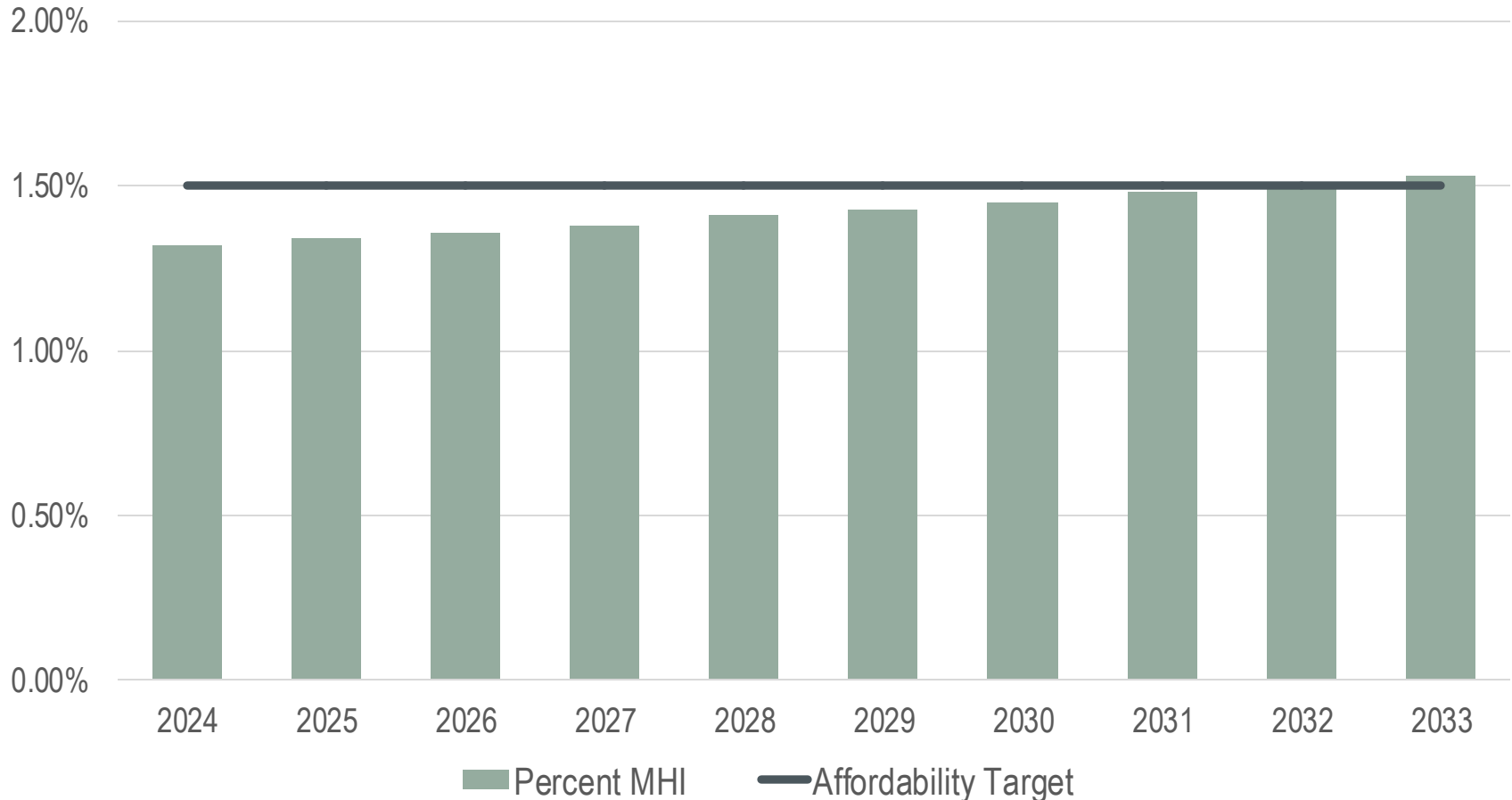


Forecasted Debt Proceeds and Year of Issuance:

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



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.



Bill Impact to Average Residential Customer

- **Using 2024 rates, the average annual cost is \$610.56, monthly cost of \$50.88 (3% increase from PY)**

Average Annual Single Family Residential Charge For Sewer Services		Monthly Cost		Annual Cost
3/4" meter monthly rate	\$ 26.32	\$	26.32	\$ 315.84
Estimated gallons per month	4,000			
Cost per gallon	6.14	\$	24.56	\$ 294.72
		\$	50.88	\$ 610.56

- **Using 2025 rates, the average annual cost is \$641.28, monthly cost is \$53.44 (5% increase from PY)**

Average annual Single Family Residential Charge for Sewer Services			Monthly Cost	Annual Cost
¾" meter monthly Rate:		\$27.64	\$27.64	\$331.68
Estimated gallons per month:		4000		
Cost per gallon:		\$6.45	\$25.80	\$309.60
			\$53.44	\$641.28



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



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

Thank you!
Questions?