

**TOWN OF MOUNTAIN VILLAGE
TOWN COUNCIL SPECIAL MEETING
MONDAY JUNE 11, 2018, 2:00 PM
2nd FLOOR CONFERENCE ROOM, MOUNTAIN VILLAGE TOWN HALL
455 MOUNTAIN VILLAGE BLVD, MOUNTAIN VILLAGE, COLORADO
AGENDA**

	Time	Min	Presenter	Type	
1.	2:00				Call to Order
2.	2:00	120		Work Session	Telluride Regional Waste Water Treatment Plant Master Plan Implementation: Financial Analysis Presentation
3.	4:00				Adjourn

Please note that times are approximate and subject to change.

jk
06/04/18

Individuals with disabilities needing auxiliary aid(s) may request assistance by contacting Town Hall at 970-369-6429 or email: mvclerk@mtnvillage.org. A minimum advance notice of 48 hours is required so arrangements can be made to locate requested auxiliary aid(s)

TOWN OF TELLURIDE



Wastewater Rate Study

Presented by:
Jason Mumm, Executive Consultant

June 12, 2018

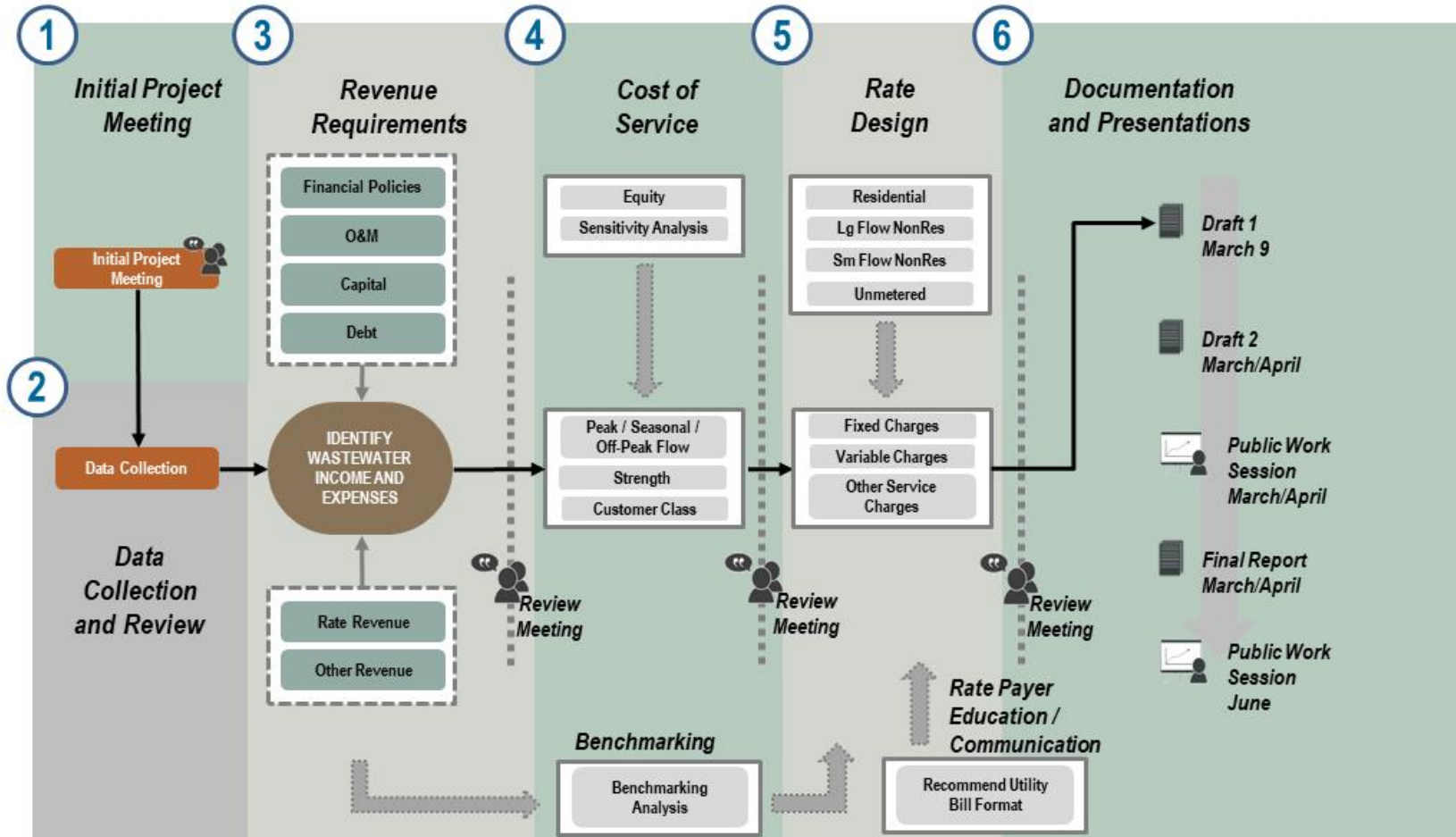


Agenda

- ◆ Overview of Study Process
- ◆ Fiscal Policies & Other Assumptions
- ◆ Summary of Findings
 - Rate Forecast Scenarios
 - Comparative Survey
- ◆ Questions/Discussion



Study Schematic





Utility Fiscal Policies

Fiscal Policy	Purpose	Target
Operating Reserve	Liquidity cushion to accommodate fluctuations in cash flow	90 Days of O&M Expenses* (2019 Target: \$376,000)
Capital Reserve	To address emergency repairs and unanticipated capital repairs	1% of the cost of system assets* (2019 Target: \$172,000)
System Reinvestment	Promote ongoing system integrity through reinvestment in the system	Annual Depreciation Expense: \$315,000 2019-23 Funding: \$72,000 – \$743,000/year
Debt Service Coverage	Compliance with debt covenants, preserving credit rating for future debt issuance	(N/A – Town does not have any sewer utility debt requiring coverage)

*Combined operating/capital target balance: 150 days of O&M expenses



Key Assumptions

Annual Cost Inflation

- General: 2.5%
- Salaries & Benefits: 4.0%
- Construction: 3.5%

Operating Forecast

- Generally based on 2018 Budget
 - Adjusted for inflation in future years
 - Rate revenues based on projected customer counts and usage
 - Mountain Village payments set at 35% of treatment-related operating/capital costs

Annual Growth Rates

- 1.5% per year based on WWTP Master Plan
 - \approx 16 – 17 customers per year

Debt Issuance

- Revenue Bonds
 - 30-Year Term
 - 4.0% Interest Rate
 - Issuance Cost: 1.0% of Amount Issued

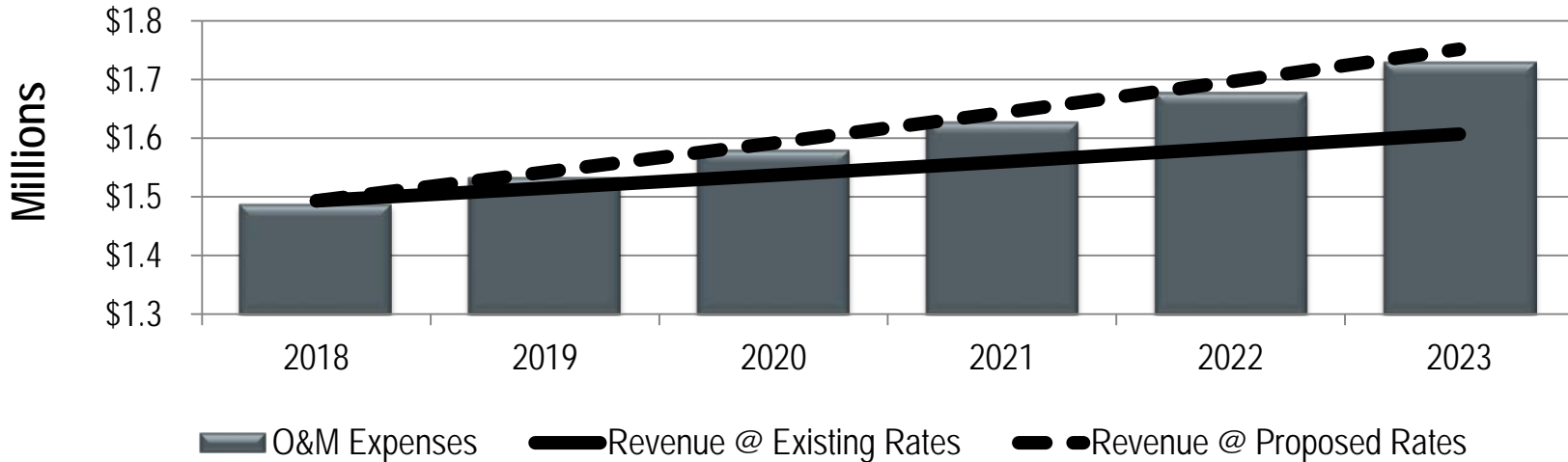


Summary of Scenarios Considered

- ◆ Status Quo (Operating Only – No CIP)
- ◆ With CIP (3 Capital Funding Scenarios):
 - Cash Only
 - Maximum Debt
 - Hybrid (Cash & Debt)



Findings: "Status Quo" Scenario

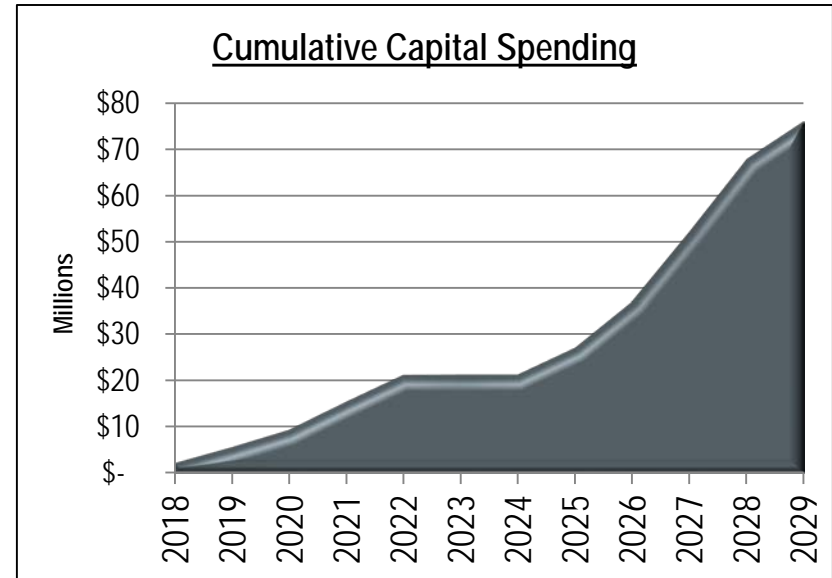
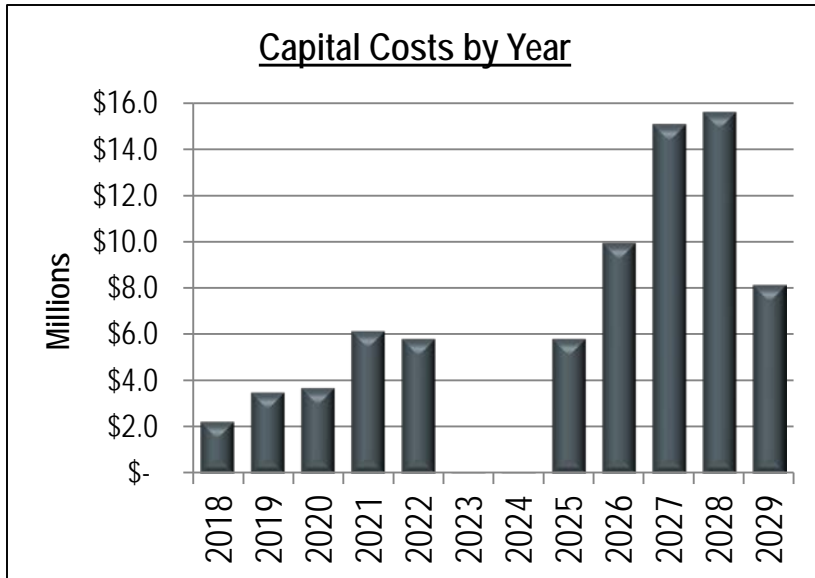


	Existing	Proposed	Projected			
	2018	2019	2020	2021	2022	2023
Annual Rate Adjustment		2.6%	2.5%	2.5%	2.5%	2.5%
Monthly Residential Bill	\$30.54	\$31.33	\$32.11	\$32.91	\$33.73	\$34.57
Change From Prior Year		+\$0.79	+\$0.78	+\$0.80	+\$0.82	+\$0.84

- ◆ Even with no CIP, rate increases are needed to keep up with rising operating costs and maintain prudent reserve levels
- ◆ Status Quo is not really an option here – its shown for perspective on increases that would be required regardless of the capital projects



Capital Needs Forecast



Summary of Projected Capital Costs	2018 - 2023	2024 - 2029	Total
Biosolids (WWTP)	\$18,486,000	\$ -	\$18,486,000
Liquid Stream (WWTP)	2,337,000	54,151,000	56,488,000
Admin/Other	591,000	468,000	1,059,000
Total	\$21,414,000	\$54,619,000	\$76,033,000

Focus for this study

Future projects required



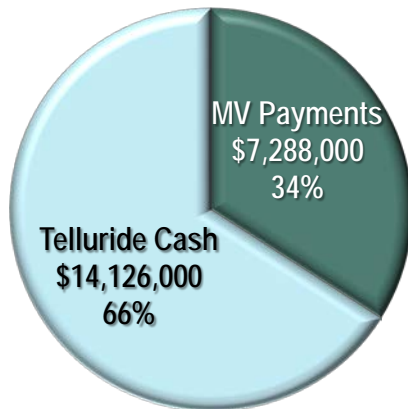
Capital Funding Philosophy

	Pros	Cons
Cash Funding	<ul style="list-style-type: none">▪ Lower overall cost▪ May improve financial flexibility	<ul style="list-style-type: none">▪ Higher near-term rates▪ Existing customers pay for disproportionate share of costs▪ May need to maintain higher cash balances (unless debt can be issued)
Debt Funding	<ul style="list-style-type: none">▪ Mitigates immediate rate impacts of capital investment▪ Enhances "generational equity" by spreading cost to future customers	<ul style="list-style-type: none">▪ Higher overall cost (interest)▪ May reduce financial flexibility (e.g. coverage requirements)

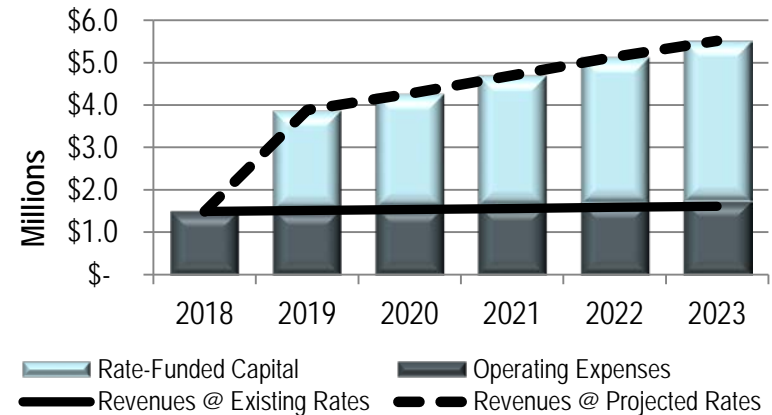


Findings: "Cash Only" Scenario

2018 – 2023 Capital Funding Strategy



Revenue Requirement Forecast



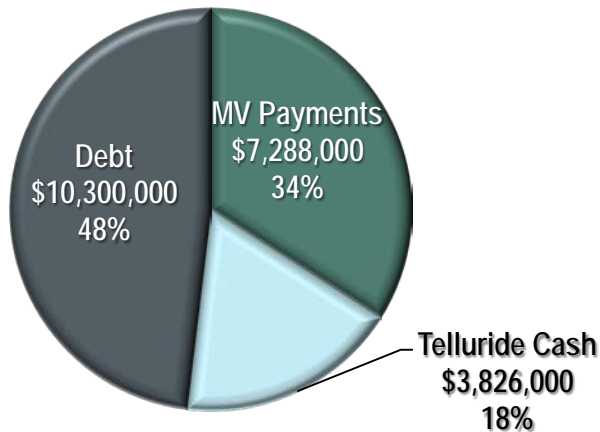
	Existing	Proposed	Projected			
	2018	2019	2020	2021	2022	2023
Annual Rate Adjustment		225.0%	10.0%	10.0%	9.0%	7.0%
Monthly Residential Bill	\$30.54	\$99.26	\$109.19	\$120.11	\$130.92	\$140.08
Change From Prior Year		+\$68.72	+\$9.93	+\$10.92	+\$10.81	+\$9.16

- ◆ Rate increases needed to cover O&M and generate cash for capital projects
- ◆ 6% annual increases required in 2024 for the future CIP projects

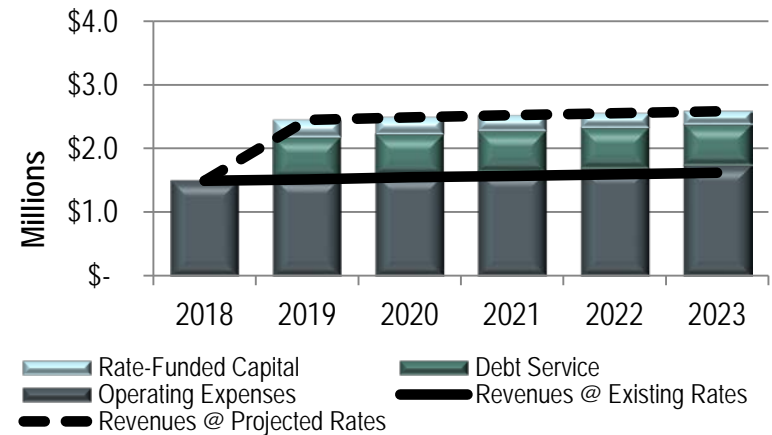


Findings: "Maximum Debt" Scenario

2018 – 2023 Capital Funding Strategy



Revenue Requirement Forecast



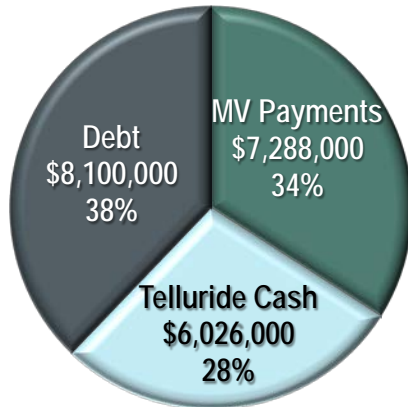
	Existing	Proposed	Projected			
	2018	2019	2020	2021	2022	2023
Annual Rate Adjustment		89.0%	0.0%	0.0%	0.0%	0.0%
Monthly Residential Bill	\$30.54	\$57.72	\$57.72	\$57.72	\$57.72	\$57.72
Change From Prior Year		+\$27.18	\$0.00	\$0.00	\$0.00	\$0.00

- ◆ \$10.3 million in net debt proceeds → debt service of \$639,000/year
- ◆ Rate increases are needed to cover O&M and debt service
 - 130% rate increase needed in 2024 to cover second debt issue (\$26.5 million of net proceeds)

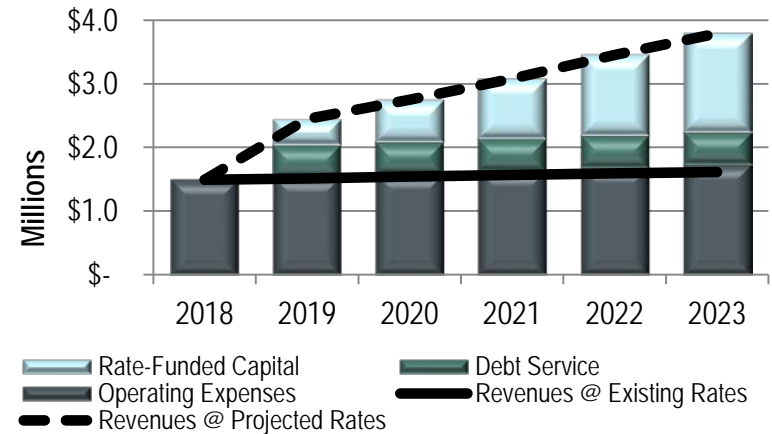


Findings: "Hybrid" Scenario

2018 – 2023 Capital Funding Strategy



Revenue Requirement Forecast



	Existing	Proposed	Projected			
	2018	2019	2020	2021	2022	2023
Annual Rate Adjustment		89.0%	13.0%	13.0%	13.0%	10.0%
Monthly Residential Bill	\$30.54	\$57.72	\$65.22	\$73.70	\$83.28	\$91.61
Change From Prior Year		+\$27.18	+\$7.50	+\$8.48	+\$9.58	+\$8.33

- ◆ \$8.1 million in net debt proceeds → debt service of \$503,000/year
- ◆ Rate increases are needed to cover O&M/debt service and generate funding for capital
 - Increase of 9% per year needed from 2024-28 to cover second debt issue (\$19.3 m of net proceeds)



Comparing Funding Alternatives

"Status Quo" Scenario (No CIP)	Existing	Proposed	Projected				Cumulative
	2018	2019	2020	2021	2022	2023	2019 – 2023
Annual Rate Adjustment		2.6%	2.5%	2.5%	2.5%	2.5%	13.3%
Monthly Residential Bill	\$30.54	\$31.33	\$32.11	\$32.91	\$33.73	\$34.57	
Change From Prior Year		+\$0.79	+\$0.78	+\$0.80	+\$0.82	+\$0.84	+\$4.03

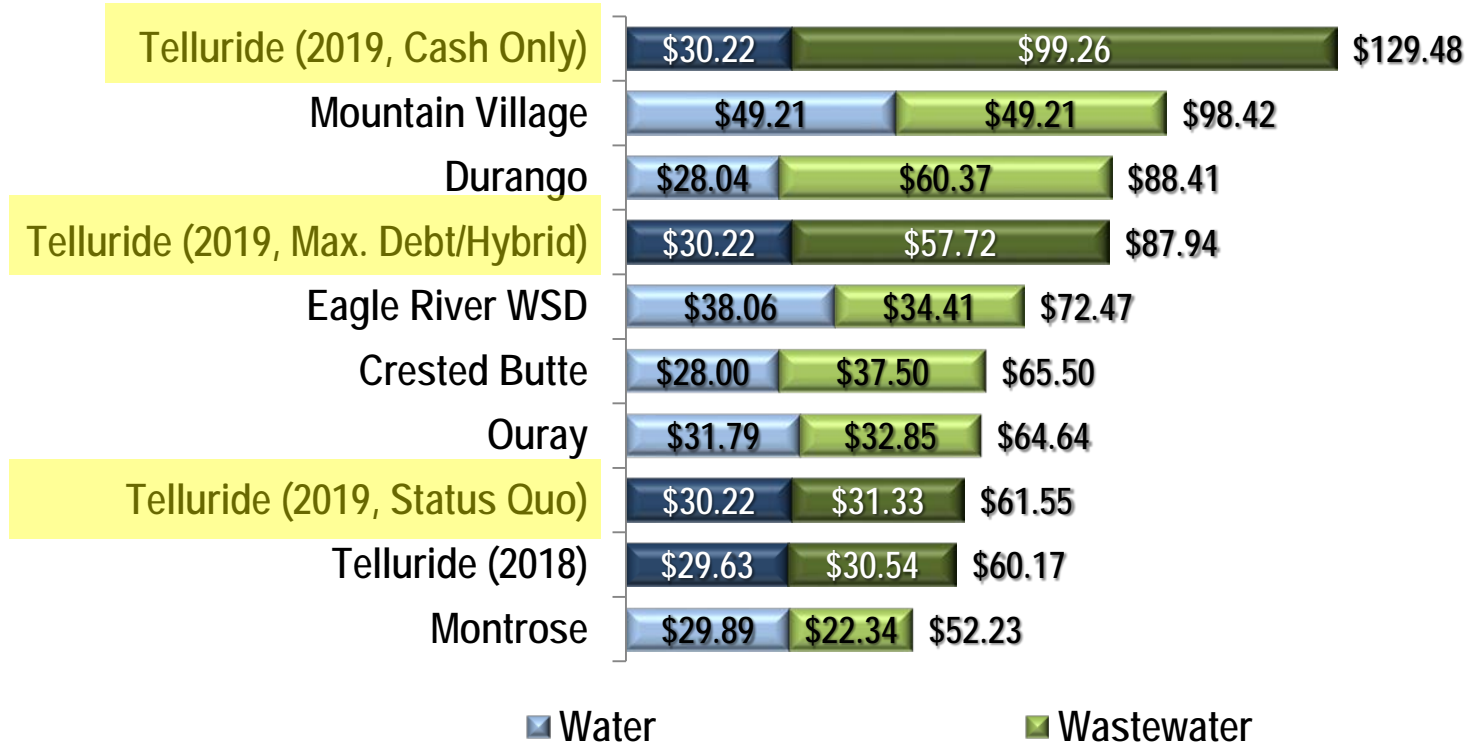
"Cash Only" Scenario	Existing	Proposed	Projected				Cumulative
	2018	2019	2020	2021	2022	2023	2019 – 2023
Annual Rate Adjustment		225.0%	10.0%	10.0%	9.0%	7.0%	358.7%
Monthly Residential Bill	\$30.54	\$99.26	\$109.19	\$120.11	\$130.92	\$140.08	
Change From Prior Year		+\$68.72	+\$9.93	+\$10.92	+\$10.81	+\$9.16	+\$109.54

"Maximum Debt" Scenario	Existing	Proposed	Projected				Cumulative
	2018	2019	2020	2021	2022	2023	2019 – 2023
Annual Rate Adjustment		89.0%	0.0%	0.0%	0.0%	0.0%	89.0%
Monthly Residential Bill	\$30.54	\$57.72	\$57.72	\$57.72	\$57.72	\$57.72	
Change From Prior Year		+\$27.18	\$0.00	\$0.00	\$0.00	\$0.00	+\$27.18

"Hybrid" Scenario	Existing	Proposed	Projected				Cumulative
	2018	2019	2020	2021	2022	2023	2019 – 2023
Annual Rate Adjustment		89.0%	13.0%	13.0%	13.0%	10.0%	200.0%
Monthly Residential Bill	\$30.54	\$57.72	\$65.22	\$73.70	\$83.28	\$91.61	
Change From Prior Year		+\$27.18	+\$7.50	+\$8.48	+\$9.58	+\$8.33	+\$61.07



Sample Monthly Bill Comparison



- ◆ Each utility's rates reflect its unique demographics and operating/capital needs
- ◆ Rates for other jurisdictions are for 2018; may increase in subsequent years



Questions / Discussion



Jason Mumm

Executive Consultant

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(425) 867-1802

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TOWN OF MOUNTAIN VILLAGE
Town Council Special Meeting
June 11, 2018
2:00 p.m.

During Mountain Village government meetings and forums, there will be an opportunity for the public to speak. If you would like to address the board(s), we ask that you approach the podium, state your name and affiliation, and speak into the microphone. Meetings are filmed and archived and the audio is recorded, so it is necessary to speak loud and clear for the listening audience. If you provide your email address below, we will add you to our distribution list ensuring you will receive timely and important news and information about the Town of Mountain Village. Thank you for your cooperation.

NAME: (PLEASE PRINT!!)

LISA GARRETT	EMAIL: lisag@sauviguelycountyco.gov
Paul Reed	EMAIL: Town of Telluride
Jason Munra	EMAIL: jasonm@fcsgroup.com
Karen Confelonne	EMAIL: karen@telluride-co.gov
Pamela Bennett	EMAIL: pbennettcaldasororanch.com
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Doug Las Tooley	EMAIL:
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Pam Pattee	EMAIL:
Susan Johnston	EMAIL:
Christina Lambert	EMAIL:
Jacqui Kennefick	EMAIL:
Bill Kight	EMAIL:
Kevin Swain	EMAIL:
Kim Montgomery	EMAIL:
Laila Benitez	EMAIL:
Shawn Murphy	EMAIL:
Patrick Berry	EMAIL:

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NAME: (PLEASE PRINT!!)

Bruce Macintyre

EMAIL:

Jack Gilbride

EMAIL:

Tim Johnston

EMAIL:

Samantha Gesell

EMAIL:

Tom Walkinson

EMAIL:

Delaney Y

EMAIL:

Jessie Rae

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