

LOCKWOOD WATER & SEWER DISTRICT

Public Hearing Rate Study and Design

May 23, 2017
Andrew Rheem



PUBLIC HEARING AGENDA

- » Study Overview and Objectives
- » Rates and Rate Analysis Process
 - Water
 - Sewer
 - Survey Comparisons
- » System Development Fees
 - Water
 - Sewer
 - Survey Comparisons
- » July 1, 2017 Effective Date

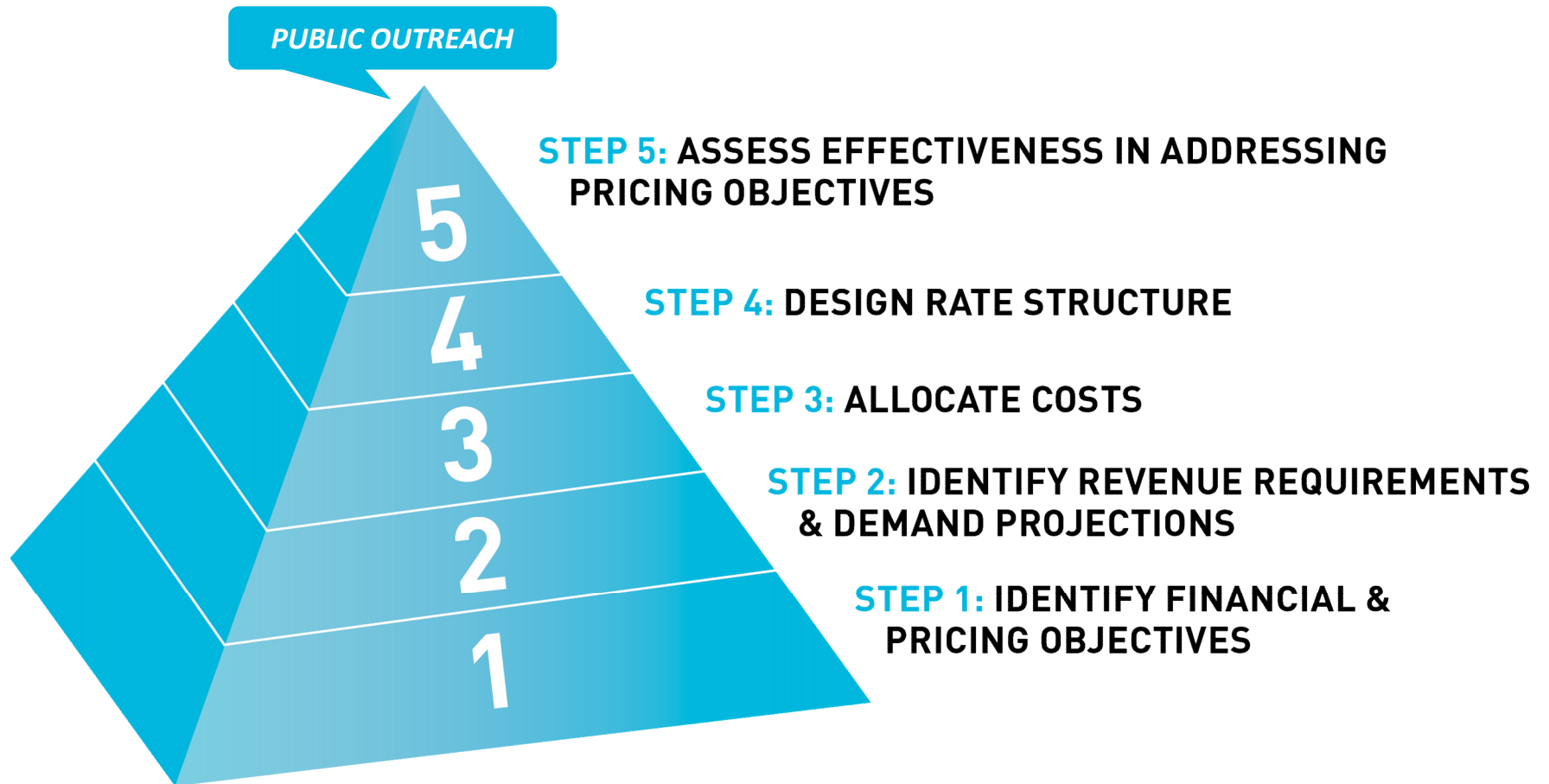


MSRB REGISTERED
**MUNICIPAL
ADVISOR**

RFC IS A REGISTERED MUNICIPAL ADVISOR WITH THE MSRB AND SEC UNDER THE DODD-FRANK ACT AND IS FULLY QUALIFIED AND CAPABLE OF PROVIDING ADVICE RELATED TO ALL ASPECTS OF UTILITY FINANCIAL AND CAPITAL PLANNING, INCLUDING THE SIZE, TIMING, AND TERMS OF FUTURE DEBT ISSUES.

Any opinions, information or recommendations included in this presentation, related to the size, timing, and terms of a future debt issue may be relied upon only for its intended purpose. This information is not intended as a recommendation to undertake a specific course of action related to the issuance of debt, or to indicate that a particular set of assumptions for the size, timing and terms of issuing debt will be available at the time debt is actually issued.

OVERALL RATE STUDY STEPS AND OVERVIEW



RATE STUDY ELEMENTS AND OBJECTIVES

- » Confirm financial policies to guide decision making
- » Develop equitable Exxon system development fee and recurring rate consistent with industry approaches
- » Calculate rates, charges, and fees consistent with utility objectives
 - Provide sufficient revenue for each utility
 - Predictable rates for a multi-year period
 - Equitably recover customer costs
 - Minimize customer impacts

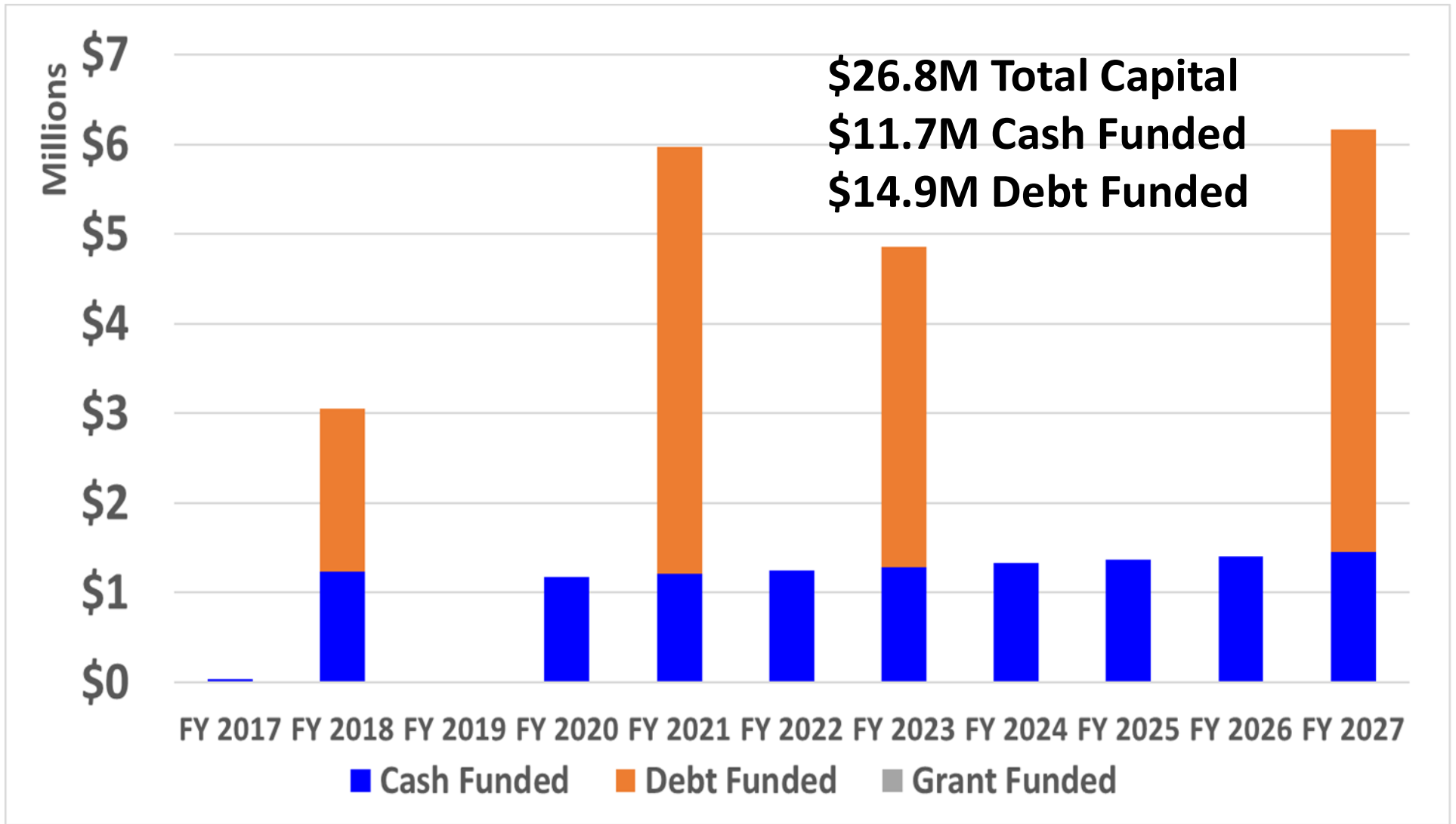
RATES

WATER AND SEWER RATES

- » Base Charge – Customer Costs Without Regard to Volume
 - Bills - per bill
 - Meter size - increases with size
 - Line size - readiness to serve
- » Volume Rate – Demand / Flow Driven Costs

WATER FUND AND RATES

WATER FUND CAPITAL FUNDING (INFLATION ADJUSTED TO YEAR OF EXPENDITURE)



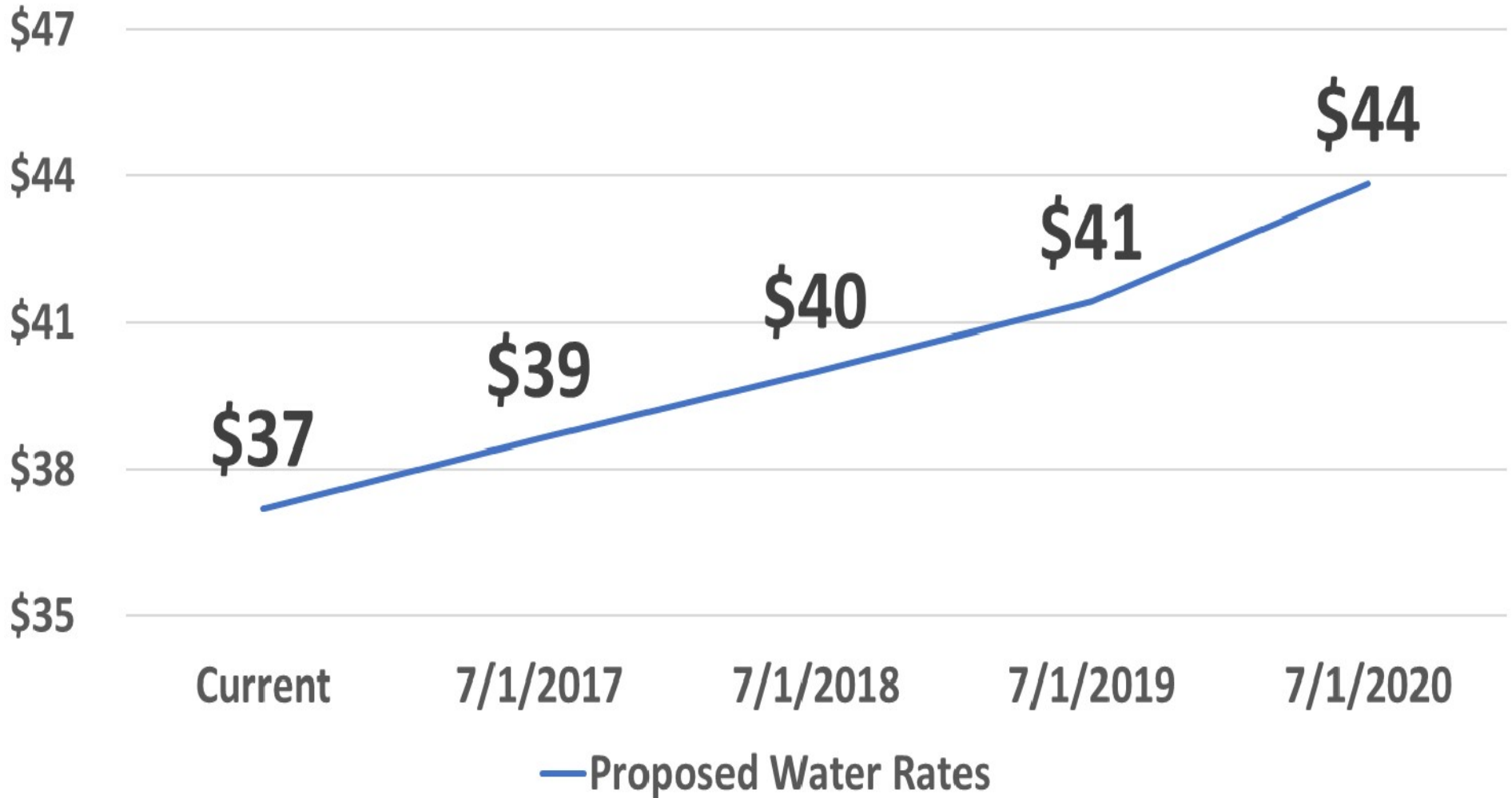
WATER BASE RATE BY YEAR

Diameter of Water Meter Size	Current Base Rate	July 1, 2017 Base Rate	July 1, 2018 Base Rate	July 1, 2019 Base Rate	July 1, 2020 Base Rate
¾-inch	\$15.00	\$15.21	\$15.41	\$15.62	\$15.82
1-inch	26.85	27.22	27.58	27.95	28.32
1 ½-inch	59.99	60.81	61.63	62.45	63.27
2-inch	107.09	108.55	110.02	111.48	112.94
3-inch	239.97	243.25	246.53	249.81	253.09
4-inch	428.55	434.41	440.26	446.12	451.98
6-inch	959.87	972.99	986.11	999.22	1,012.34
8-inch	1,706.70	1,730.02	1,753.35	1,776.67	1,800.00
10-inch	2,402.08	2,434.91	2,467.74	2,500.57	2,533.39

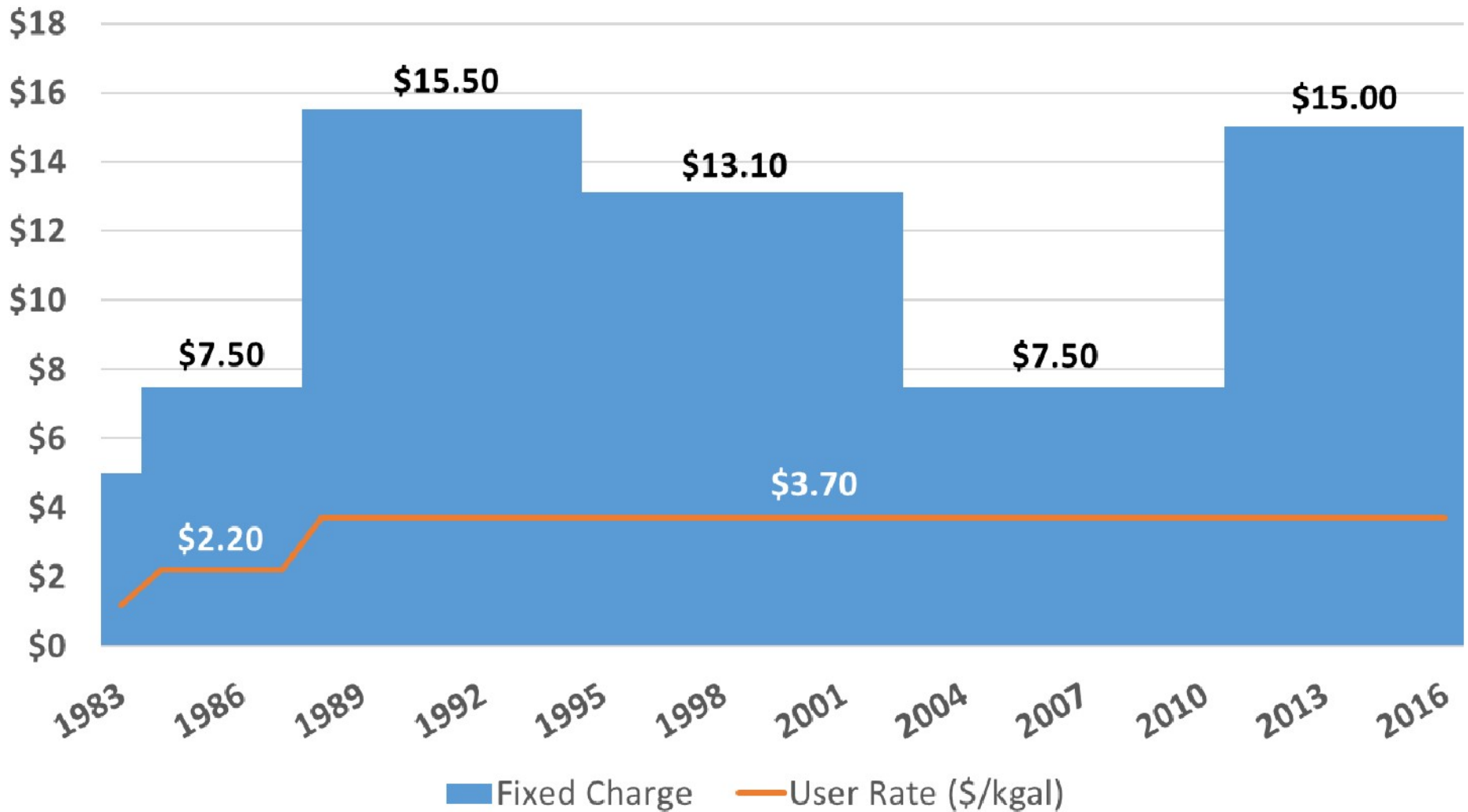
WATER VOLUME RATE BY YEAR

Customer Class	Current Usage Rate	July 1, 2017 Usage Rate	July 1, 2018 Usage Rate	July 1, 2019 Usage Rate	July 1, 2020 Usage Rate
Residential	\$3.70	\$3.90	\$4.10	\$4.30	\$4.67
Commercial	3.70	3.90	4.10	4.30	4.67
Trailer	3.70	3.90	4.10	4.30	4.67
Bulk Water	5.00	5.25	5.50	5.75	6.00

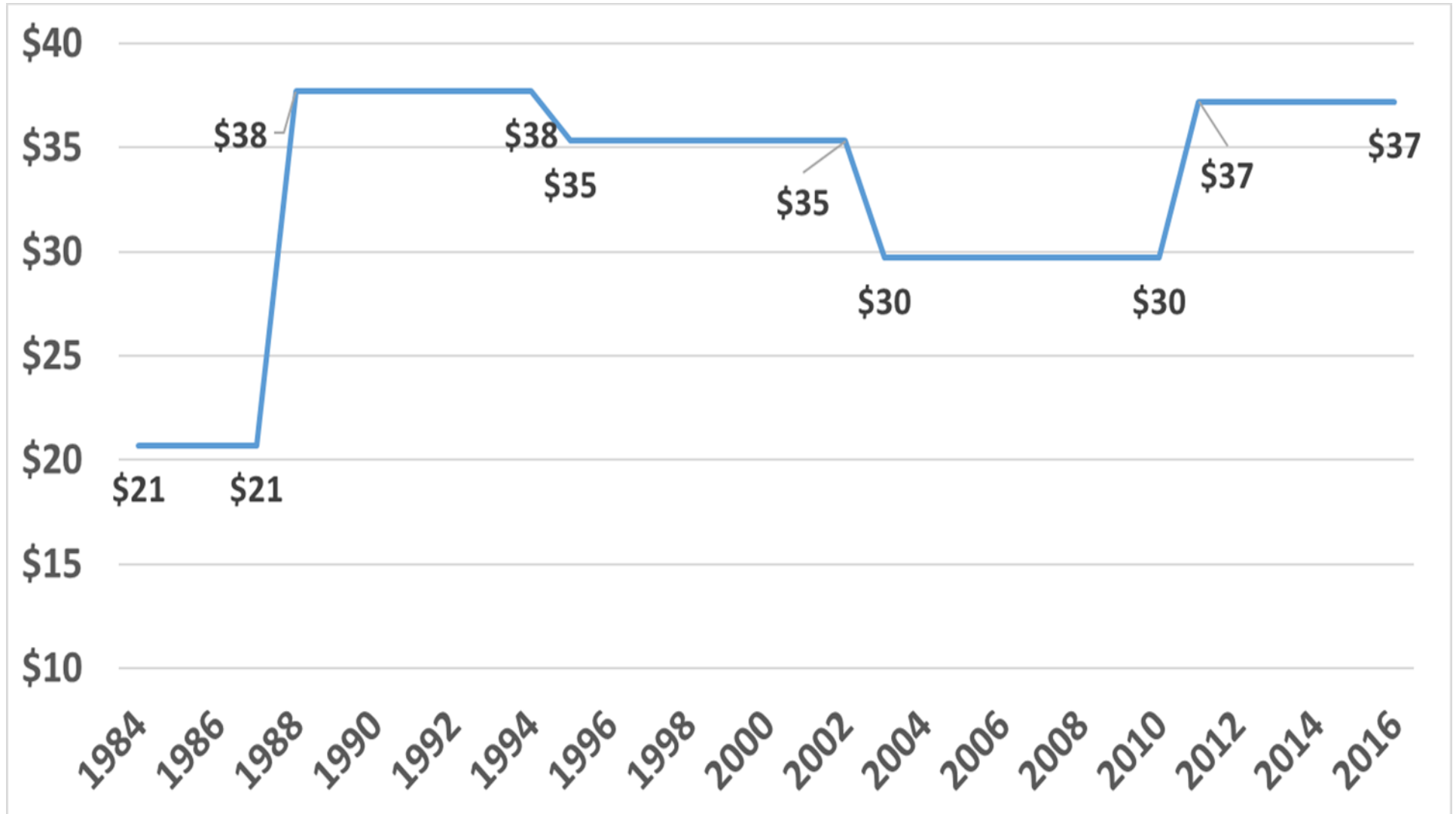
WATER FUND TYPICAL BILL ³/₄-INCH METER AND 6,000 GALLONS PER MONTH USE



WATER FUND RATE HISTORY



HISTORICAL WATER BILL $\frac{3}{4}$ -INCH METER AND 6,000 GALLONS PER MONTH USE



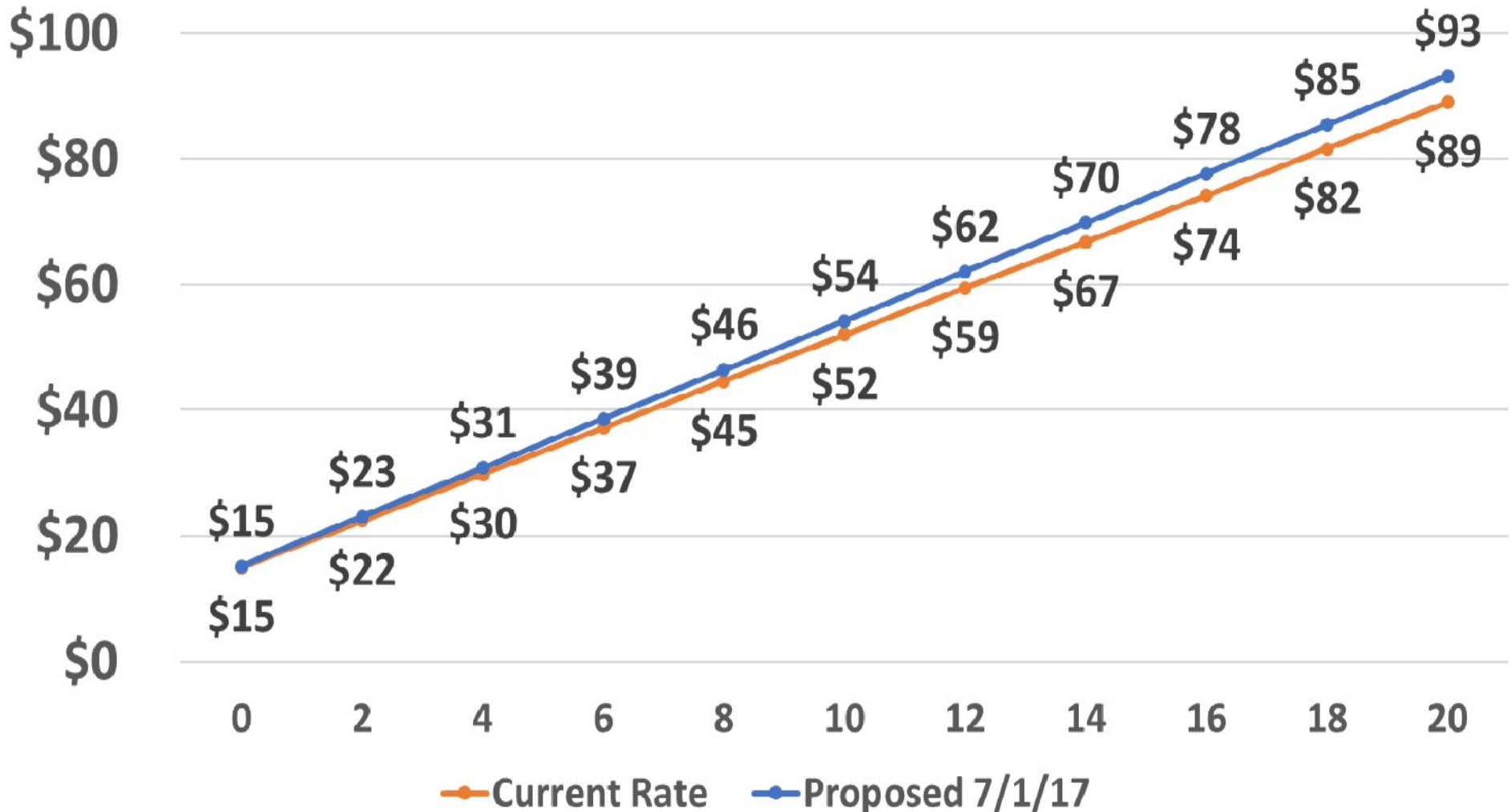
WATER BASE RATE JULY 1, 2017

Diameter of Water Meter Size	Current Base Rate	July 1, 2017 Base Rate	Change - \$ Base Rate
¾-inch	\$15.00	\$15.21	\$0.21
1-inch	26.85	27.22	0.37
1 ½-inch	59.99	60.81	0.82
2-inch	107.09	108.55	1.46
3-inch	239.97	243.25	3.28
4-inch	428.55	434.41	5.86
6-inch	959.87	972.99	13.12
8-inch	1,706.70	1,730.02	23.32
10-inch	2,402.08	2,434.91	32.83

WATER VOLUME RATE JULY 1, 2017

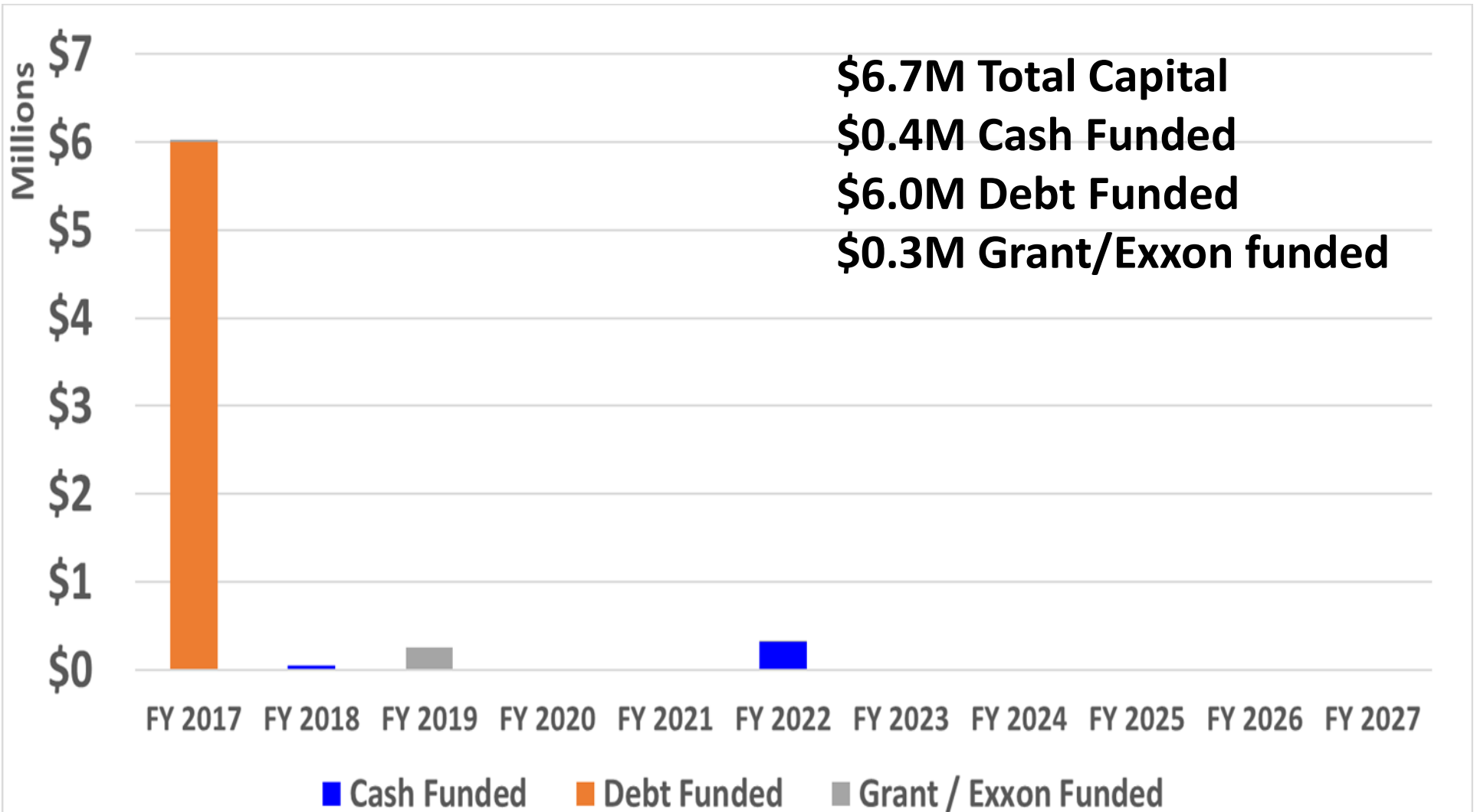
Customer Class	Current Usage Rate	July 1, 2017 Usage Rate	Change - \$ Usage Rate
Residential	\$3.70	\$3.90	\$0.20
Commercial	3.70	3.90	0.20
Trailer	3.70	3.90	0.20
Bulk Water	5.00	5.25	0.25

MONTHLY WATER BILL COMPARED 3/4-INCH (0 TO 20,000 GALLONS PER MONTH)



SEWER FUND

SEWER FUND CAPITAL FUNDING (INFLATION ADJUSTED TO YEAR OF EXPENDITURE)



SEWER BASE RATE BY YEAR

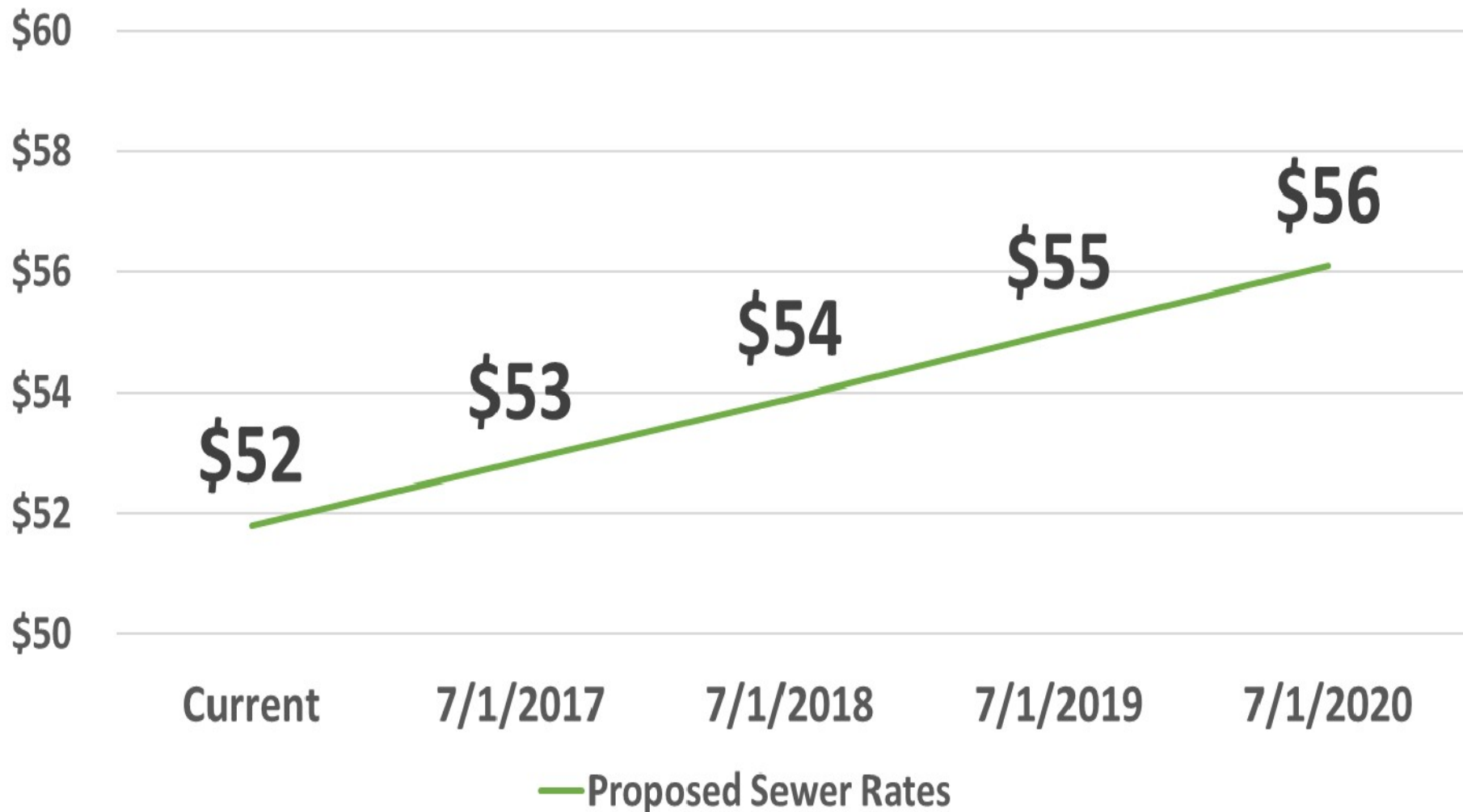
Diameter of Water Meter Size	Current Base Rate	July 1, 2017 Base Rate	July 1, 2018 Base Rate	July 1, 2019 Base Rate	July 1, 2020 Base Rate
¾-inch	\$46.30	\$46.30	\$46.30	\$46.30	\$46.30
1-inch	82.88	82.88	82.88	82.88	82.88
1 ½-inch	185.20	185.20	185.20	185.20	185.20
2-inch	330.58	330.58	330.58	330.58	330.58
3-inch	740.80	740.80	740.80	740.80	740.80
4-inch	1,319.55	1,319.55	1,319.55	1,319.55	1,319.55
6-inch	2,963.20	2,963.20	2,963.20	2,963.20	2,963.20
8-inch	5,268.94	5,268.94	5,268.94	5,268.94	5,268.94
10-inch	8,232.14	8,232.14	8,232.14	8,232.14	8,232.14

SEWER VOLUME RATE BY YEAR

Customer Class	Current Usage Rate	July 1, 2017 Usage Rate	July 1, 2018 Usage Rate	July 1, 2019 Usage Rate	July 1, 2020 Usage Rate
Domestic (1)	\$1.10	\$1.31	\$1.52	\$1.74	\$1.96

(1) Customers with higher strength sewer discharge characteristics may be assessed a surcharge

SEWER FUND TYPICAL BILL ³/₄-INCH METER AND 5,000 GALLONS PER MONTH USE



SEWER BASE RATE JULY 1, 2017

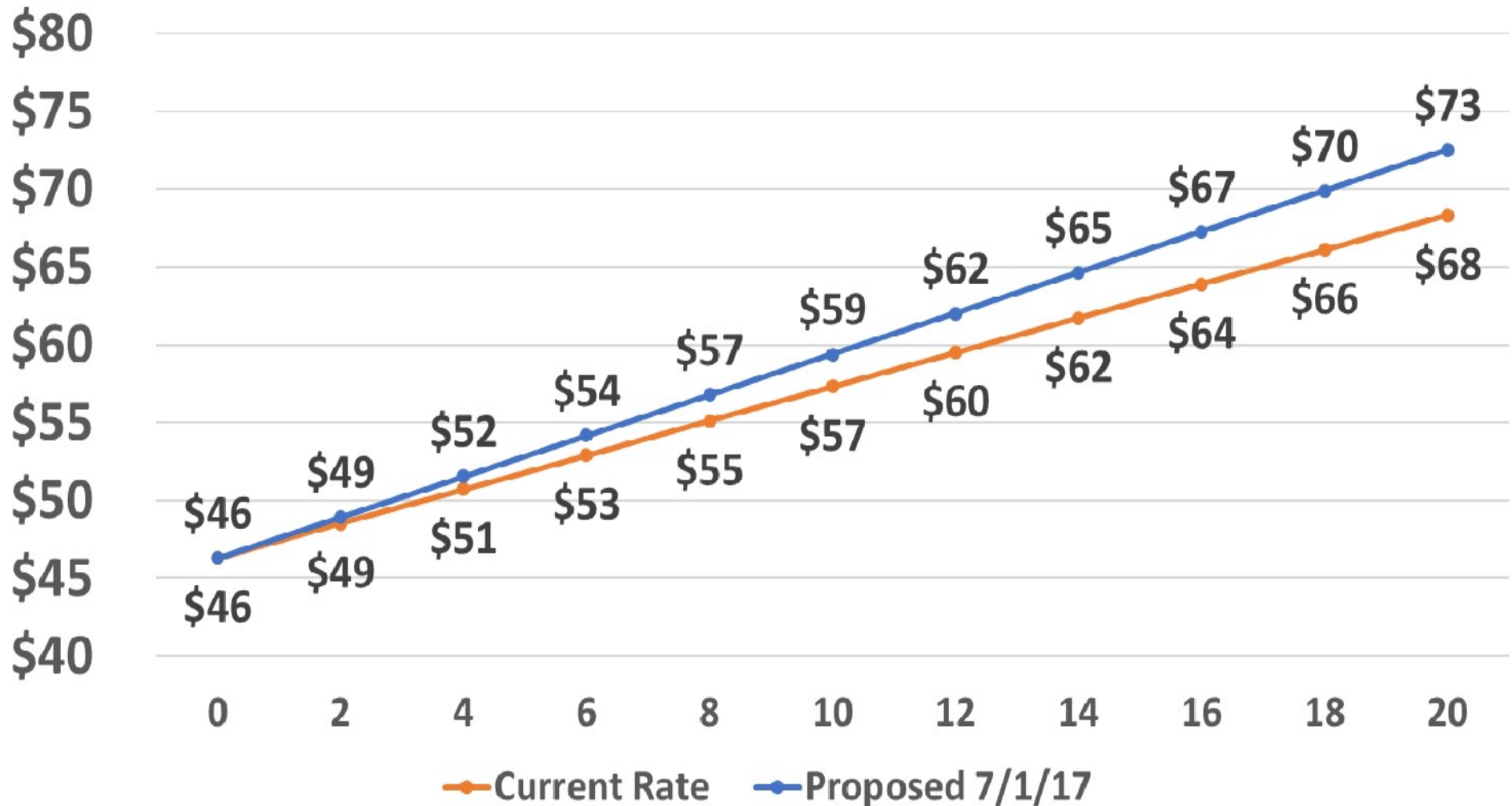
Diameter of Water Meter Size	Current Base Rate	7/1/2017 Base Rate	Change - \$ Base Rate
¾-inch	\$46.30	\$46.30	\$0.00
1-inch	82.88	82.88	0.00
1 ½-inch	185.20	185.20	0.00
2-inch	330.58	330.58	0.00
3-inch	740.80	740.80	0.00
4-inch	1,319.55	1,319.55	0.00
6-inch	2,963.20	2,963.20	0.00
8-inch	5,268.94	5,268.94	0.00
10-inch	8,232.14	8,232.14	0.00

SEWER VOLUME RATE JULY 1, 2017

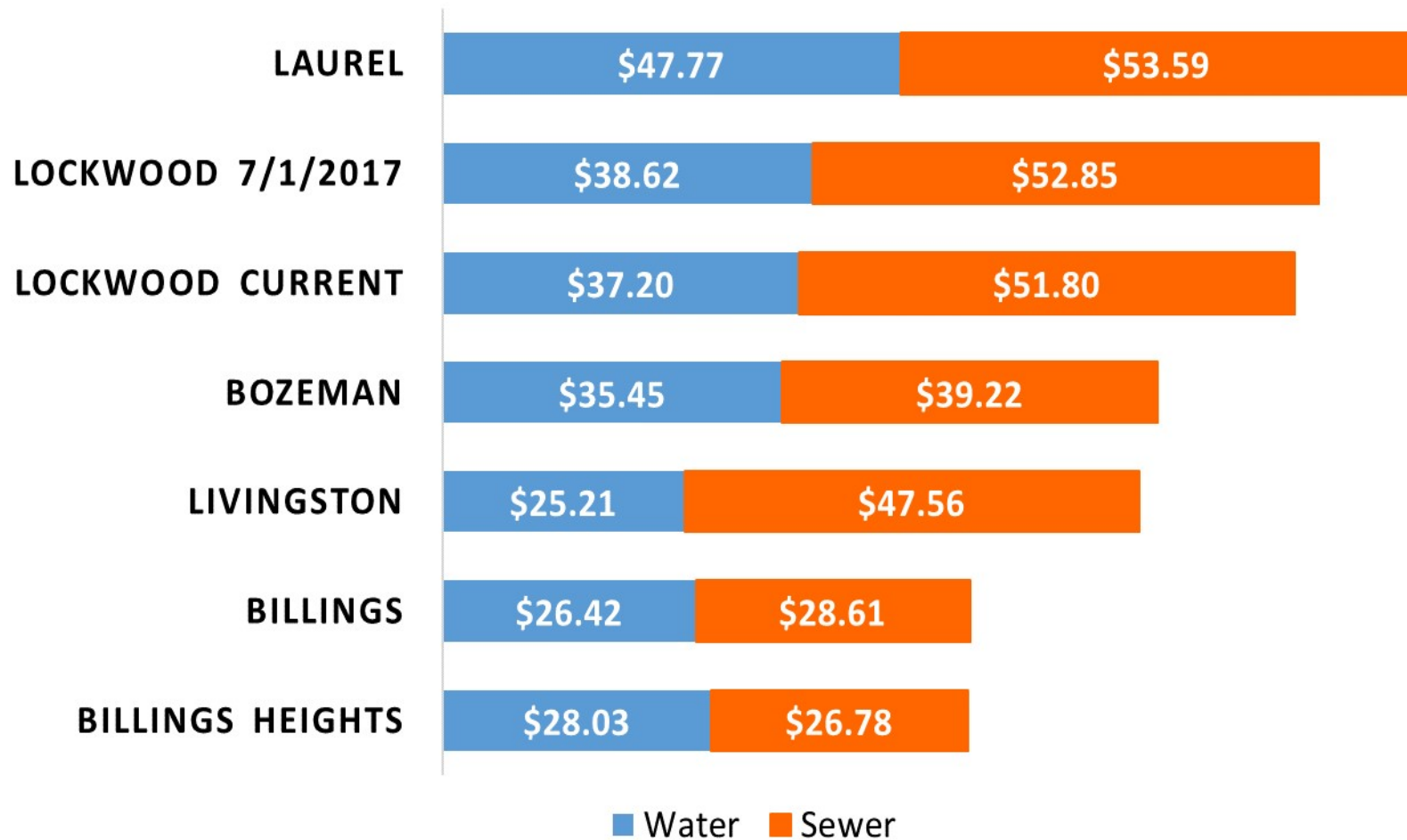
Customer Class	Current Usage Rate	July 1, 2017 Usage Rate	Change - \$ Usage Rate
Domestic (1)	\$1.10	\$1.31	\$0.21

(1) Customers with higher strength sewer discharge characteristics may be assessed a surcharge

MONTHLY SEWER BILL COMPARED 3/4-INCH (0 TO 20,000 GALLONS PER MONTH)



RATE SURVEY



(1) Residential customer, ¾-inch water meter, 6,000 gallons water and 5,000 gallons sewer of billed flows

SDFS

SYSTEM DEVELOPMENT FEE (SDF) OVERVIEW

- » SDFs are one-time fees assessed when building permits are issued to fund infrastructure needed to serve new or increased development
- » SDFs have different names (e.g. impact fees, plant investment fees)
- » LWSD currently assesses SDFs for both water and sewer services
- » LWSD also collects a SDF for the City of Billings wastewater treatment plant which increases by water meter size

SDF REQUIREMENTS IN MONTANA

1. Establish SDF Advisory Committee – at least one representative from the development community
2. Service Area Report
3. Address periodic updates to SDFs in ordinance
4. Additional SDF assessment, collection and reporting guidance

DISTRICT WATER SDF

- » District has two separate fee assessment schedules that increase by meter size today
 - System-wide fee assessed to new or increased development
 - Mid-Zone fee assessed to new or increased development in defined Mid-Zone service area
 - Established in 2007
 - Defined area served by Noblewood pump station
 - System-wide fee is included in the total fee charged
- » Proposed system-wide and Mid-Zone service area SDFs phase to single SDF by 7/1/2020
 - \$6,000 fee $\frac{3}{4}$ -inch water meter
 - Maximum supportable fee is \$7,807

WATER SDFS – PROPOSED PHASING

Diameter of Water		Water SDF System-Wide			
Meter Size	Current	July 1, 2017	July 1, 2018	July 1, 2019	July 1, 2020
¾-inch	\$1,225	\$2,418	\$3,611	\$4,804	\$6,000
1-inch	1,715	3,385	5,055	6,726	8,400
1 ½-inch	1,960	3,869	5,778	7,686	9,600
2-inch	2,205	4,352	6,500	8,647	10,800
3-inch	3,553	7,013	10,473	13,934	17,402
4-inch	13,475	26,598	39,721	52,844	66,000
6-inch	17,150	33,852	50,554	67,256	84,000
8-inch	25,725	50,778	75,831	100,884	126,000
10-inch	35,525	70,122	104,719	139,316	174,000

WATER SDFS – PROPOSED PHASING

Diameter of Water Meter Size	Water SDF Mid-Zone Service Area (1)				
	Current	July 1, 2017	July 1, 2018	July 1, 2019	July 1, 2020
¾-inch	\$4,236	\$4,677	\$5,118	\$5,559	\$6,000
1-inch	5,930	6,548	7,165	7,783	8,400
1 ½-inch	6,778	7,483	8,189	8,894	9,600
2-inch	7,625	8,419	9,212	10,006	10,800
3-inch	12,284	13,565	14,844	16,123	17,402
4-inch	46,596	51,447	56,298	61,149	66,000
6-inch	59,304	65,478	71,652	77,826	84,000
8-inch	88,956	98,217	107,478	116,739	126,000
10-inch	122,844	135,633	148,422	161,211	174,000

(1) Includes system-wide water SDF.

SEWER SDFS EXISTING AND NEW DEVELOPMENT BY SEWER SUB-DISTRICT JULY 1, 2017

Sewer SDF	Inside Sub-District				Outside Sub-District	
	Existing		New / Sub Divided (1)		New / Existing	
	P1	P2	P1	P2	P1	P2
3/4-inch Water Meter (2)						
District	\$0	\$385	\$726	\$1,695	\$3,712	\$14,553
City of Billings (2)	0	957	957	957	957	957
Total	\$0	\$1,342	\$1,683	\$2,652	\$4,669	\$15,510

(1) Fee not assessed against existing structure, lot or service line, but assessed to increased meter size or sub-divided lot.

(2) Fee increases by meter size. City of Billings SDFs are proposed to be effective 7/1/17 and include franchise fee of 4%.

SEWER SDFS – EXISTING PROPERTY IN PHASE 2 SUB-DISTRICT OR PROPERTY CONNECTING TO PHASE 1 COMMON TO ALL

Diameter of Water Meter Size (3)	Existing P2 Property or Others Connecting to Phase 1 Common to All Sewer Facilities (1) (2)				
	Current	July 1, 2017	July 1, 2018	July 1, 2019	July 1, 2020
3/4-inch	\$195	\$385	\$435	\$487	\$539
1-inch	220	434	491	549	608
1 1/2-inch	320	632	714	799	885
2-inch	450	888	1,004	1,124	1,244
3-inch	910	1,797	2,030	2,273	2,515
4-inch	1,770	3,495	3,948	4,420	4,892

- (1) Excludes City of Billings wastewater treatment plant SDF increasing by water meter size plus 4% franchise fee.
- (2) New of sub-divided property(s) will be assessed fees applicable to new or increased development.
- (3) For 6-inch and larger water meter sizes, SDFs are calculated for each connection.

SEWER SDFS – NEW OR INCREASED DEVELOPMENT INSIDE PHASE 1 SEWER SUB- DISTRICT

Diameter of Water Meter Size (2)	Inside Phase 1 Sewer Sub-District SDF (1)				
	Current	July 1, 2017	July 1, 2018	July 1, 2019	July 1, 2020
¾-inch	\$195	\$726	\$887	\$1,053	\$1,223
1-inch	220	819	1,001	1,188	1,380
1 ½-inch	320	1,191	1,456	1,728	2,007
2-inch	450	1,675	2,047	2,430	2,822
3-inch	910	3,388	4,139	4,914	5,707
4-inch	1,770	6,590	8,051	9,558	11,101

(1) Excludes City of Billings wastewater treatment plant SDF increasing by water meter size plus 4% franchise fee.

(2) For 6-inch and larger water meter sizes, SDFs are calculated for each connection.

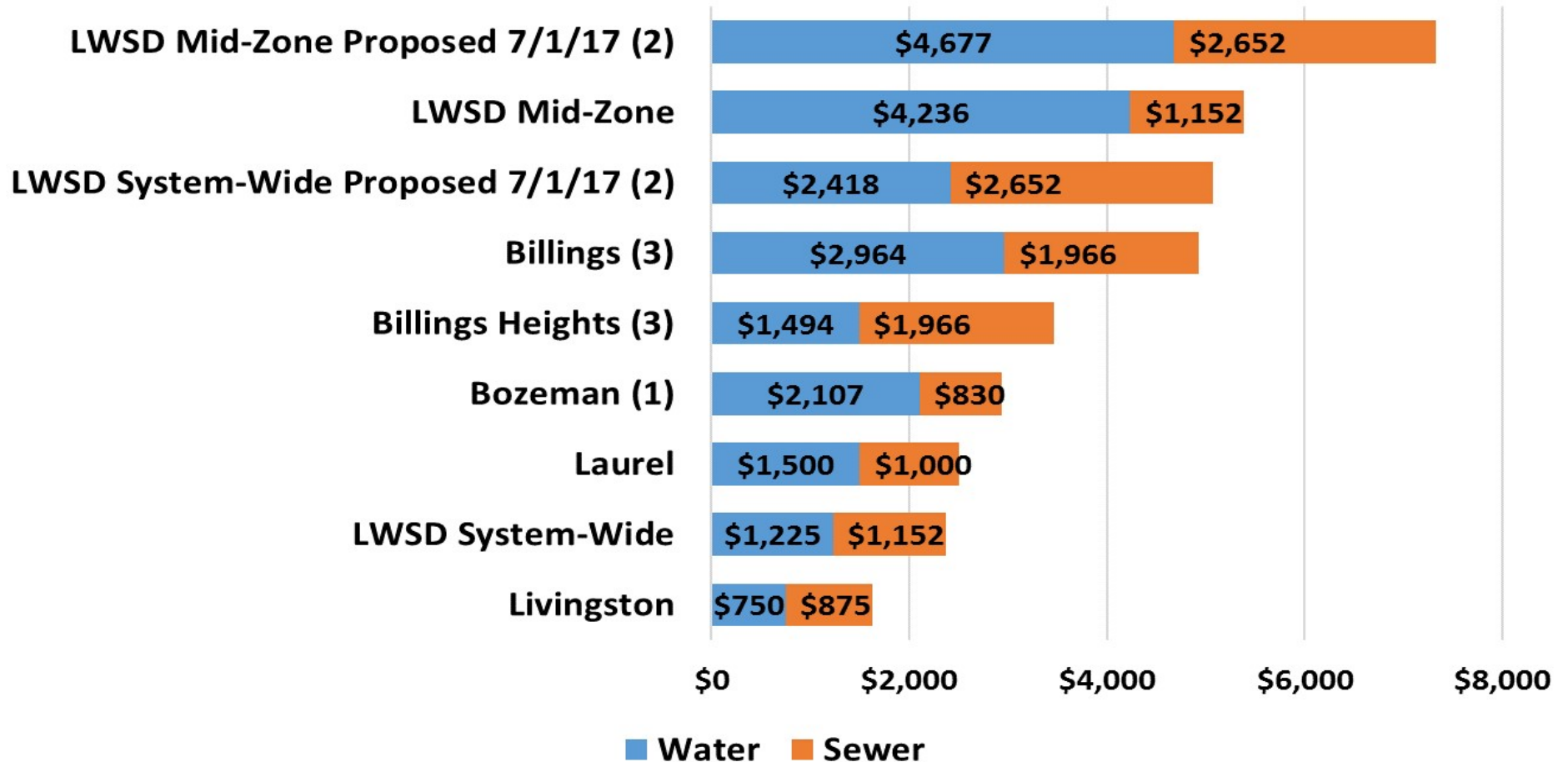
SEWER SDFS – NEW OR INCREASED DEVELOPMENT INSIDE PHASE 2 SEWER SUB-DISTRICT

Diameter of Water Meter Size (2)	Inside Phase 2 Sewer Sub-District SDF (1)				
	Current	July 1, 2017	July 1, 2018	July 1, 2019	July 1, 2020
¾-inch	\$195	\$1,695	\$2,250	\$2,819	\$3,398
1-inch	220	1,912	2,538	3,180	3,834
1 ½-inch	320	2,782	3,692	4,626	5,576
2-inch	450	3,912	5,192	6,505	7,842
3-inch	910	7,910	10,500	13,155	15,857
4-inch	1,770	15,385	20,423	25,588	30,843

(1) Excludes City of Billings wastewater treatment plant SDF increasing by water meter size plus 4% franchise fee.

(2) For 6-inch and larger water meter sizes, SDFs are calculated for each connection.

WATER: RESIDENTIAL 3/4-INCH WATER METER

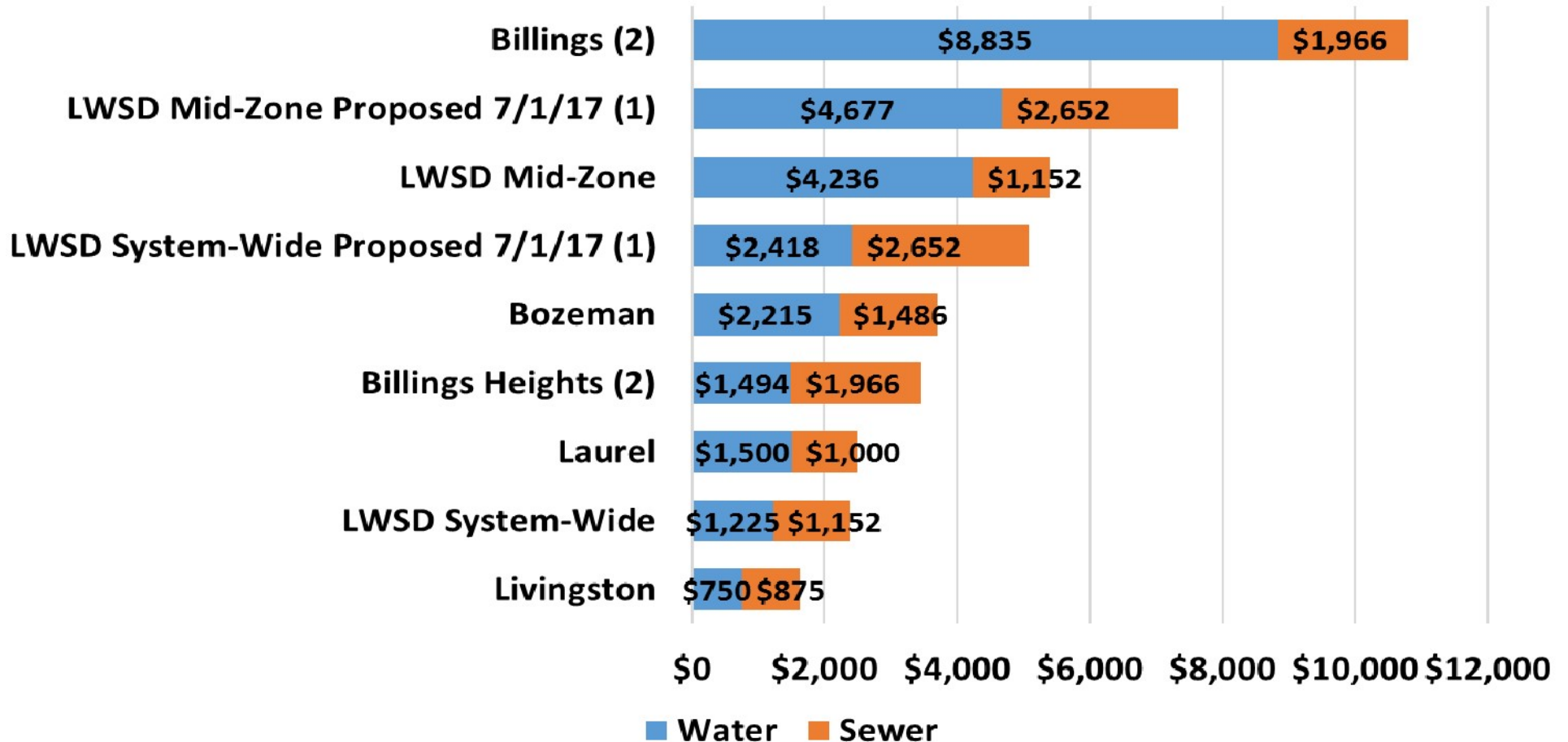


(1) Based on 2,001 to 2,200 sq. ft. home.

(2) Sewer reflects new Phase 2 Sub-District development.

(3) Proposed City of Billings water and sewer SDF effective July 1, 2017.

WATER: COMMERCIAL 3/4-INCH WATER METER



(1) Sewer reflects new Phase 2 Sub-District development.

(2) Proposed City of Billings water and sewer SDF effective July 1, 2017.