

**CARSON CITY CONSOLIDATED MUNICIPALITY
NOTICE OF MEETING OF THE
UTILITY FINANCE OVERSIGHT COMMITTEE**

Day: Monday
Date: January 13, 2020
Time: Beginning at 1:00 pm
Location: Community Center, Sierra Room
851 East William Street
Carson City, Nevada

AGENDA

Call to Order.

Roll Call and Determination of a Quorum.

Public Comment**

The public is invited at this time to comment on and discuss any topic that is relevant to, or within the authority of the Utility Finance Oversight Committee, including any matter that is not specifically included on the agenda as an action item. No action may be taken on a matter raised under public comment unless the item has been specifically included on the agenda as an item upon which action may be taken.

1. For Possible Action - Approval of meeting minutes.

1.A For Possible Action: Discussion and possible action regarding approval of the November 4, 2019 draft meeting minutes. (Darren Schulz, dschulz@carson.org)

Staff Summary: Committee members will be provided the draft meeting minutes from the November 4, 2019 meeting and asked to review and approve.

[SR-Approval of Minutes.docx](#)

[11-04-19 minutes.pdf](#)

2. Meeting Items:

2.A For Possible Action: Discussion and possible action to recommend annual water and wastewater rate increases to the Board of Supervisors. (Darren Schulz, Dschulz@carson.org)

Staff Summary: The manager and consultant will present a report on the water and wastewater rate refresh progress, including discussion regarding the rate models, financial policies and assumptions,

capital improvement plans, and model results for water and wastewater recommended rate changes for FY 2021 through FY 2025. An increase of 3 percent in the user fee is proposed for each year of a 5-year time period in both the water and wastewater funds, beginning January 1, 2021 and continuing through January 1, 2025. Staff seeks either the Committee's recommendation to the Board of Supervisors of the proposed rate changes for the water and wastewater funds, or alternative direction from the Committee.

[SR-REVISED Water and Wastewater Rate Study Update.docx](#)

[2.aPresentation to UFOC water and sewer rates v4.pdf](#)

2.B For Possible Action: Discussion and possible action to recommend to the Board of Supervisors a stormwater rate structure and rate increase that will generate additional revenue, up to an additional \$1.4 million, to support an improved City-wide stormwater program. (Darren Schulz, Dschulz@carson.org)

Staff Summary: The manager and consultant will present a program update and rate review of the stormwater management program. At the November 4, 2019 UFOC meeting comments were received and direction given to further develop two rate methodologies which could be used to update the stormwater rate structure. The methodologies have been further developed and will be presented. Staff seeks the Committee's recommendation to the Board of Supervisors of a specific rate structure.

[SR-Stormwater Rate Study Update.docx](#)

[UFOC 1-13-20 V2 - CARSON EDITS.pptx](#)

2.C For Information Only: Presentation and discussion of Manager's report on personnel, projects and planning. (Darren Schulz, Dschulz@carson.org)

Staff Summary: Manager's report on personnel changes, projects and planning.

[SR-Managers Report.docx](#)

3. For Information Only: Future Agenda Items

Discussion under this item is limited to the possible placement of new matters on future agendas only. The next meeting is tentatively scheduled for:

4. Public Comment**

The public is invited at this time to comment on and discuss any topic that is relevant to or within the authority of the Utility Finance Oversight Committee, including any matter that is not specifically included on the agenda as an action item. No action may be taken on a matter raised under public comment unless the item has been specifically included on the agenda as an item upon which action may be taken.

5. For Possible Action: To Adjourn.

****Public Comment**

It is Carson City's aspirational goal to provide for item-specific public comment as follows: in order for members of the public to participate in the public body's consideration of an agenda item, the public is strongly encouraged to comment on an agenda item when called for by the Chair during the item itself. No action may be taken on a matter raised under public comment unless the item has been specifically included on the agenda as an item upon which action may be taken. The Chair also retains discretion to only provide for the Open Meeting Law's minimum public comment and not call for or allow additional individual-item public comment at the time of the body's consideration of the item when: 1) it is deemed necessary by the Chair to the orderly conduct of the meeting; 2) it involves an off-site non-action facility tour agenda item; or 3) it involves any person's or entity's due process appeal or hearing rights provided by statute or the Carson City Municipal Code.

Agenda Management Notice

Items on the agenda may be taken out of order; the Chair may combine two or more agenda items for consideration; and the Chair may remove an item from the agenda or delay discussion relating to an item on the agenda at any time.

Notice to Persons with Disabilities

The Utility Finance Oversight Committee is pleased to make reasonable accommodations for members of the public who wish to attend the meeting and need assistance. If arrangements for special assistance or reasonable accommodations at the meeting are needed, please notify the Public Works Department in writing at 3505 Butti Way, Carson City, NV 89701, or by calling (775) 887-2355 as soon as possible, but not less than 24 hours in advance of the meeting.

For Further Information

If you would like more information about an agenda item listed above or to request a copy of the supporting material for this meeting, please contact Karen Leet at Kleet@carson.org or call (775) 887-2355. A copy of this agenda and supporting materials for the meeting are also available at the Public Works Department located at 3505 Butti Way, Carson City, NV 89701, or at the City's website at <http://carson.org/government/meeting-information/agendas>.

This notice and agenda has been posted at the following locations:

Community Center, 851 East William Street

Public Safety Complex, 885 East Musser Street

City Hall, 201 North Carson Street

Carson City Library, 900 North Roop Street

Business Resource & Innovation Center (BRIC), 108 East Proctor Street

The Carson City website at <http://carson.org/government/meeting-information/agendas>

Utility Finance Oversight Committee Agenda Item Report

Meeting Date: January 13, 2020

Submitted by: Karen Leet

Submitting Department: Public Works

Item Type: Formal Action / Motion

Agenda Section:

Subject:

For Possible Action: Discussion and possible action regarding approval of the November 4, 2019 draft meeting minutes. (Darren Schulz, dschulz@carson.org)

Staff Summary: Committee members will be provided the draft meeting minutes from the November 4, 2019 meeting and asked to review and approve.

Suggested Action:

I move to approve the November 4, 2019 draft meeting minutes of the Utility Finance Oversight Committee.

Attachments:

[SR-Approval_of_Minutes.docx](#)

[11-04-19 minutes.pdf](#)



STAFF REPORT

Item No. 1

Report To: Utility Finance Oversight Committee

Meeting Date: January 13, 2020

Staff Contact: Darren Schulz, Director of Public Works

Agenda Title: For Possible Action: Discussion and possible action regarding approval of the November 4, 2019 draft meeting minutes. (Darren Schulz, dschulz@carson.org)

Staff Summary: Committee members will be provided the draft meeting minutes from the November 4, 2019 meeting and asked to review and approve.

Agenda Action: Formal Action/Motion

Time Requested: 5 minutes

Proposed Motion

I move to approve the November 4, 2019 draft meeting minutes of the Utility Finance Oversight Committee.

Board's Strategic Goal

N/A

Previous Action

N/A

Background/Issues & Analysis

N/A

Applicable Statute, Code, Policy, Rule or Regulation

N/A

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact:

Alternatives

Committee Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

CARSON CITY UTILITY FINANCE OVERSIGHT COMMITTEE

Draft Minutes of the November 4, 2019 Meeting

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A regular meeting of the Carson City Utility Finance Oversight Committee was scheduled for 1:30 p.m. on Monday, November 4, 2019 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Michael Bennett
Vice Chairperson Randy Bowling
Member Robert Johnston
Member Bruce Scott
Member Jeffrey Maples

STAFF: Darren Schulz, Public Works Department Director
Andy Hummel, Wastewater Utility Manager
Eddy Quaglieri, Water Utility Manager
Todd Reese, Deputy District Attorney
Pamala Ganger, Deputy Chief Financial Officer
Danielle Howard, Public Meetings Clerk

NOTE: A recording of these proceedings, the commission's agenda materials, and any written comments or documentation provided to the recording secretary during the meeting are public record. These materials are on file in the Clerk-Recorder's Office, and available for review during regular business hours. An audio recording of this meeting is available on www.Carson.org/minutes.

CALL TO ORDER AND DETERMINATION OF A QUORUM

(1:30:08) – Chairperson Bennett called the meeting to order at 1:30 p.m. Roll was called, and a quorum was present.

PUBLIC COMMENT

(1:30:25) – Chairperson Bennett entertained public comment. Member Scott brought to the Committee's attention the passing of former UFOC Chairperson Andrea "Ande" Engelman, calling it "an event in the community, and a person that we're going to miss."

(1:32:02) – Dana Whaley introduced himself and stated he was speaking on behalf of Campagni Auto Group, Carson City Toyota, Capital Ford, and himself personally regarding the potential sewer and drainage fee increases brought to his attention by the Executive Director of the Carson City Area Chamber of Commerce, Ronni Hannaman. Mr. Whaley stated that he felt the new hybrid rate approaches introduced in the previous Committee presentation were "more in line ... what all businesses in Carson City could accept."

1. FOR POSSIBLE ACTION: APPROVAL OF THE MINUTES FROM THE AUGUST 14, 2019 MEETING.

CARSON CITY UTILITY FINANCE OVERSIGHT COMMITTEE

Draft Minutes of the November 4, 2019 Meeting

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(1:34:41) – Chairperson Bennett introduced the item and entertained corrections, changes, and/or a motion.

(1:34:53) – MOTION: Member Scott moved to approve the August 14, 2019 meeting minutes as presented. The motion was seconded by Chairperson Bennett. Motion carried 4-0-1 with Member Johnston abstaining, as he was not present at that meeting.

(1:35:35) – Vice Chairperson Bowling commented that, after having reviewed the minutes and the video recording of the previous meeting, the minutes were accurate; therefore, he voted to approve the minutes despite having been absent from the previous meeting.

2. PUBLIC MEETING ITEMS:

2.A FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION TO RECOMMEND TO THE BOARD OF SUPERVISORS A STORMWATER RATE STRUCTURE AND RATE INCREASE THAT WILL GENERATE ADDITIONAL REVENUE, UP TO AN ADDITIONAL \$1.4 MILLION, TO SUPPORT AN IMPROVED CITY-WIDE STORMWATER PROGRAM.

(1:36:30) – Mr. Hummel presented a PowerPoint slideshow presentation on the stormwater program, incorporated into the record, which included the background of the program, an explanation of the existing rate structure, the basis for revenue requirement and rate increase, inequities in the existing rate structure, and the customer distribution by customer count.

(1:46:45) – Brent Farr of Farr West Engineering introduced himself to the Committee and reviewed what was presented to the public in the October 2, 2019 meeting with some updates. He specified two main goals for the rate work: “to increase the revenues to have a fully-functioning stormwater utility” and to “address some of the inequities that have existed in the existing structure.” Mr. Farr and Mr. Hummel provided five options for the rate structure referenced in the presentation.

(2:04:33) – Chairperson Bennett entertained questions from the Committee for Mr. Hummel and Mr. Farr.

(2:04:43) – Member Johnston inquired about different rates indicated in one of the slides, and Mr. Hummel clarified that the information was an update to the budget. Member Johnston inquired about “what percentage of the problem is created by impervious areas.” Mr. Farr explained that water quality issues and a need for storm drainage infrastructure posed as issues, although “elements of the program” would likely still exist.

(2:07:14) – Vice Chairperson Bowling inquired about undeveloped properties in regards to stormwater fees, as the municipal code referenced in the presentation stated that stormwater rates are based on each parcel of developed property. Mr. Farr responded with how research into accommodating for consistency or a change in policy may be necessary. Chairperson Bennett questioned how “they would go about billing [undeveloped properties] for storm water,” to which Mr. Schulz could not provide an immediate answer but assured an answer would eventually be provided.

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Draft Minutes of the November 4, 2019 Meeting

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(2:09:56) – Vice Chairperson Bowling asked “if an undeveloped parcel is zoned commercial ... number one ... can that happen, and number two, if it does happen, is that undeveloped commercially zoned parcel being charged the commercial stormwater rate?” Mr. Hummel confirmed that “the potential is there.” Discussion ensued regarding land use being a factor in determining rates of stormwater billing. Mr. Farr confirmed that in some instances, land use is “something you want to look at” in determining the stormwater rate, although he said that the current model is not based off of that.

(2:13:55) – Vice Chairperson Bowling inquired about the difference between manufacturing and commercial properties in terms of rate structure and suggested combining the two into a single category, and Mr. Farr stated “that could be done” since there were no major differences in regards to combining the categories. Conversation ensued between Vice Chairperson Bowling and Mr. Farr that led to Vice Chairperson Bowling concluding that the impervious approach was the most equitable approach, and that “it looks as though all we’re doing now is to make it more palpable for the public,” referring to the 91 percent of rate payers in the presentation.

(2:17:54) – Member Maples voiced approval for the grouped impervious area approach, as it seemed to him “something we could work with for sure.” After some discussion with Mr. Farr, Mr. Farr confirmed that the “amount of subsidizing that the residential customer’s doing is reduced under [the grouped impervious area approach].”

(2:20:26) – Chairperson Bennett explained how he did not know if the goal of being “entirely equitable” was necessary, with “some level of equality” being something to “strive for.” He noted that, based on Vice Chairperson Bowling’s point, the impervious approach and grouped impervious area approach appeared to be the most equitable and to meet the goals of the Board of Supervisors. He also recognized the effort that would go into administering the process since it would “not really [add] a whole lot of value to the process” as well as influence the commercial or the manufacturer to “end up coming back out of the residents’ pockets.” He stated that he liked the idea of adding agricultural land and open space, noting Vice Chairperson Bowling pointing out how they may be helping in most storm events, but also recognizing that they do generate runoff, which “is an area where we need to be able to provide some improvements for and some maintenance on.” Chairperson Bennett was in favor of combining the categories of commercial and manufacturing properties.

(2:22:33) – Chairperson Bennett stated that it was “striking” to him how “we’re ending at this \$3.2 million number, which I think is great for probably year one, but what does it look like at year two, ... and for year three, year four, and so on, and I haven’t seen any discussion on indexing. I’m not sure if it’s been thought about in the rates study, but I think it’s something that we need to consider; whether we’re indexing to some known value or just recognizing that we need to have regular revisits” for what the utility rates need to be. Mr. Farr responded with how he and Mr. Hummel developed a financial model to ensure that the \$3.2 million value was a “good number,” which he assured will “work just fine” with the Capital Improvement Plan (CIP).

(2:24:19) – Chairperson Bennett entertained public comment.

(2:24:39) – Vice President of Special Projects and General Counsel of Western Nevada College, Mark Ghan, introduced himself and stated how he was “not prepared to tell [the Committee] which of these proposals would affect us” regarding the 200 acres of land, approximately fifty-five of which are

CARSON CITY UTILITY FINANCE OVERSIGHT COMMITTEE

Draft Minutes of the November 4, 2019 Meeting

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developed, but stated he would be submitting a letter after analysis of this factor, as a couple of the proposals “look frightening to us.”

(2:25:33) Shelly Aldean, property owner and Director of the Southgate Shopping Center, introduced herself to the Committee and explained “when we developed the property back in the early 1990s, we were required to dedicate over 1.6 acres of general commercial property for a detention basin,” and “based on an average storm, the contribution of that storm to the detention basin, ... we are retaining nearly 100 percent of that water due to the elevated nature of that outlet.” She suggested that credit be given to property owners that have functional detention basins, as “nobody likes to travel across flooded streets,” and explained that there did not seem to be any credit given to detention basins “built expressly for the purpose of retaining and infiltrating water on sight” when conversing with Staff. She recommended giving Staff “a bit of flexibility” with the system that is decided on in order for them to “entertain situations where there are extenuating circumstances ... to deal with issues on a case-by-case basis.” She concluded her comment by recognizing the Committee’s and Staff’s efforts and stating “even though I believe we’ve done a great job in infiltrating our water ... we are prepared to pay something.”

(2:30:03) – Chairperson Bennett entertained further public comment; however, none was forthcoming. Member Scott pointed out the significance in “who benefits from a storm drain utility, ... improvements, and mitigation effects of what that utility might do” as well as where one is located in Carson City, which he stated he believes is part of the reason he does “not see absolute equity in impervious surfaces.” He also recognized the manufacturing and commercial entities’ roles in the community and was in favor of what was stated in regards to detention basins and indexing “in a carefully and well-thought-out way.”

(2:35:22) – Chairperson Bennett entertained discussion of the Committee members after Mr. Schulz provided a brief explanation on timing for presenting a resolution to the Board of Supervisors and clarification from Mr. Hummel. Discussion ensued among the Committee members on thoughts and preferences in rate structure approaches, and Mr. Farr responded to clarifying questions. General consensus was generated on the tweak existing rate structure and the grouped impervious approach options. Chairperson Bennett entertained a motion. Mr. Reese informed Chairperson Bennett that unless the motion pertained to making a recommendation to the Board of Supervisors, neither a motion or action were necessary. Chairperson Bennett entertained a motion to “table the agenda item so staff could come back with a further refined option.”

(2:50:31) – MOTION: Member Scott moved to table the agenda item with the request that Staff “refine and bring back or provide for comment to the Committee adjustments or changes reflecting the comments ... heard today.” The motion was seconded by Vice Chairperson Bowling. Motion carried 5-0-0.

2.B PRESENTATION OF FY19 FINANCIAL REVIEW, REGARDING UPDATES ON REVENUES AND EXPENDITURES FOR THE WASTEWATER, WATER AND STORMWATER FUNDS.

(2:51:35) – Chairperson Bennett introduced the item, and Ms. Ganger presented the review, which is incorporated into the record. Ms. Ganger and Mr. Schulz responded to clarifying questions from the

CARSON CITY UTILITY FINANCE OVERSIGHT COMMITTEE

Draft Minutes of the November 4, 2019 Meeting

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Committee members during the presentation.

2.C FOR INFORMATION ONLY: PRESENTATION AND DISCUSSION OF MANAGER'S REPORT ON PERSONNEL, PROJECTS AND PLANNING.

(3:03:34) – Chairperson Bennett introduced the item, and Mr. Quaglieri presented his report, incorporated into the record, which included changes in staffing and an update on projects. Mr. Quaglieri and Mr. Schulz responded to clarifying questions from the Committee members. Mr. Hummel presented his report, which also included changes in staffing and an update on projects.

3. FUTURE AGENDA ITEMS

(3:20:07) – Chairperson Bennett introduced the item and discussion took place regarding the future Committee meeting date with consensus in meeting next on January 13th, 2020. Mr. Schulz provided an overview of the upcoming agenda items, including discussion on water and sewage.

4. PUBLIC COMMENTS

(3:24:38) – There were no public comments.

5. FOR POSSIBLE ACTION: ADJOURNMENT

(3:24:49) – Chairperson Bennett adjourned the meeting at 3:24 p.m.

The Minutes of the November 4, 2019 Carson City Utility Finance Oversight Committee meeting are so approved this 13th day of January, 2020.

Utility Finance Oversight Committee Agenda Item Report

Meeting Date: January 13, 2020

Submitted by: Karen Leet

Submitting Department: Public Works

Item Type: Formal Action / Motion

Agenda Section:

Subject:

For Possible Action: Discussion and possible action to recommend annual water and wastewater rate increases to the Board of Supervisors. (Darren Schulz, Dschulz@carson.org)

Staff Summary: The manager and consultant will present a report on the water and wastewater rate refresh progress, including discussion regarding the rate models, financial policies and assumptions, capital improvement plans, and model results for water and wastewater recommended rate changes for FY 2021 through FY 2025. An increase of 3 percent in the user fee is proposed for each year of a 5-year time period in both the water and wastewater funds, beginning January 1, 2021 and continuing through January 1, 2025. Staff seeks either the Committee's recommendation to the Board of Supervisors of the proposed rate changes for the water and wastewater funds, or alternative direction from the Committee.

Suggested Action:

I move to recommend to the Board of Supervisors the rate changes as proposed.

Attachments:

[SR-REVISED Water and Wastewater Rate Study Update.docx](#)

[2.aPresentation to UFOC_water and sewer rates v4.pdf](#)



STAFF REPORT

Item No. 2a

Report To: Utility Finance Oversight Committee

Meeting Date: January 13, 2020

Staff Contact: Darren Schulz, Director of Public Works

Agenda Title: For Possible Action: Discussion and possible action to recommend annual water and wastewater rate increases to the Board of Supervisors. (Darren Schulz, Dschulz@carson.org)

Staff Summary: The manager and consultant will present a report on the water and wastewater rate refresh progress, including discussion regarding the rate models, financial policies and assumptions, capital improvement plans, and model results for water and wastewater recommended rate changes for FY 2021 through FY 2025. An increase of 3 percent in the user fee is proposed for each year of a 5-year time period in both the water and wastewater funds, beginning January 1, 2021 and continuing through January 1, 2025. Staff seeks either the Committee's recommendation to the Board of Supervisors of the proposed rate changes for the water and wastewater funds, or alternative direction from the Committee.

Agenda Action: Formal Action/Motion

Time Requested: 30 minutes

Proposed Motion

I move to recommend to the Board of Supervisors the rate changes as proposed.

Board's Strategic Goal

Sustainable Infrastructure

Previous Action

N/A

Background/Issues & Analysis

Water and wastewater user fees are applied against each user (customer) of the Carson City water and wastewater systems. The rates charged for these user fees are generally based on actual water usage, except for residential wastewater user fees which are charged a flat rate. User fee rates were last reviewed and updated in 2012, resulting in a five-year rate increase program. Farr West Engineering was selected in 2019 to update the water and wastewater rate models to provide a five-year outlook of rate needs based on capital improvement needs, operating revenue requirements, growth projections, and water usage trends. The models have been updated and results will be presented. An increase of 3 percent in the user fee is proposed for each year of a 5-year time period in both the water and wastewater funds, beginning January 1, 2021 and continuing through January 1, 2025. Staff seeks either the Committee's recommendation to the Board of Supervisors of the rates presented or other direction from the Committee.

If revised water and wastewater rates are adopted by the Board of Supervisors, the next step will be preparation of a business impact statement.

Applicable Statute, Code, Policy, Rule or Regulation

N/A

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number: Water / fund 520 and Wastewater / fund 510

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: Monthly user rates would increase in both the Water and Wastewater funds by 3 percent beginning January 1, 2021, and every year thereafter over a 5-year period, with the last increase occurring January 1, 2025.

Alternatives

Provide alternative direction.

Committee Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

Water and Wastewater Rate Study Refresh

Presentation to
Utility Finance Oversight Committee

January 13, 2020

Water & Wastewater Utility Rates

Presentation Overview

1. Background of existing rates and connection fees
2. Review of financial policies and FCS model assumptions
3. FCS model results for water and wastewater rates changes 2021-2025

Background

- 2012 – FCS Group Cost of Service Rate Study
 - Established rates effective 2013-18 that phased in the cost of service for each customer class over the study period
 - Wastewater rate = 15% yearly increase
 - Water rate = 6.5% yearly increase
 - BOS voted against FCS recommended connection charges and remained at existing connection fee schedules

Background Cont.

- In 2015, the City adopted a water & wastewater connection fee ordinance that:
 - Established a phased in connection fee increase through 2020
 - Indexed the 2020 connection fees to increase yearly based off the ENR CCI with a cap of 3%

Connection Fee	Effective 7/1/2019	Effective 7/1/2020
Wastewater per SERC	\$3,710	\$4,493
Water per WERC (5/8" meter)	\$2,843	\$3,440

Background Cont.

- In 2019, Carson City contracted Farr West to update the existing FCS Models
 - Farr West did not modify the FCS model approach
 - Proposed rates effective 2021-2025
 - Approach being “across-the-board” rates in which each customer class would experience the same rate change

Financial Policies & FCS Model Assumptions

1. Operating Reserves:

- Wastewater: 30 to 45 days of O&M expense
- Water: 60 to 90 days of O&M expense
- When operating reserves exceed the maximum target, excess cash is transferred to the capital account to cover capital projects

2. Capital Account Minimum Target Balance:

- 2% of system fixed assets

Financial Policies & FCS Model Assumptions

3. Capital Funding:

- Model assumes that capital projects that are not funded through the capital fund balance will be funded through bond sales

4. Debt Service Coverage Goals:

- Rates include a minimum coverage factor of 1.00 times annual debt service.
- Internal goal of 1.25 times annual debt services
- Debt-to-equity ratio goal of no greater than 50% debt to 50% equity (cash)

Financial Policies & FCS Model Assumptions

5. System Reinvestment Funding:

- Funded through rates using percent of annual depreciation expense as the benchmark for the appropriate funding level

Water System Reinvestment Funding Strategy

2013	2014	2015	2016	2017	2018	2019
0%	20%	40%	60%	80%	100%	100%
\$ -	\$ 619,305	\$ 1,268,792	\$ 1,932,989	\$ 2,644,062	\$ 3,384,510	\$ 3,253,981

2020	2021	2022	2023	2024	2025
100%	100%	100%	100%	100%	100%
\$ 3,314,695	\$ 3,370,653	\$ 3,456,438	\$ 3,545,910	\$ 3,615,467	\$ 3,735,799

Wastewater System Reinvestment Funding Strategy

2013	2014	2015	2016	2017	2018	2019
0%	0%	20%	40%	60%	80%	80%
\$ -	\$ -	\$ 640,672	\$ 1,378,192	\$ 2,234,609	\$ 3,117,947	\$ 3,690,000

2020	2021	2022	2023	2024	2025
80%	80%	80%	85%	90%	95%
\$ 3,927,805	\$ 3,986,635	\$ 4,084,526	\$ 4,426,807	\$ 4,782,061	\$ 5,151,254

Financial Policies & FCS Model Assumptions

6. Economic & Financial Factors

- Govern the forecast basis for revenues, expenditures, and connection fee increases

		2020	2021	2022	2023	2024	2025
General Cost Inflation	Based on CPI	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Construction Cost Inflation	Based on CCI	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Labor Cost Inflation	Per City - 3/22/19	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Benefits Cost Inflation	Per City - 3/22/19	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
General Inflation plus Growth		3.22%	3.22%	3.22%	3.22%	3.22%	3.22%
Engineering News Record's Construction Cost Index		2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Marlette Cost Inflation*		0.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Fund Earnings	Per City Approval 7/29/19	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Customer Growth		0.70%	0.70%	0.70%	0.70%	0.70%	0.70%
Cumulative Growth		0.70%	1.40%	2.11%	2.83%	3.55%	4.27%
* Marlette Cost Inflation only included in water rate model							

Water Model Rate Results

Water CIP 2020-2025

Description	TOTAL FORECASTED PROJECT COSTS: FYE					
	2020	2021	2022	2023	2024	2025
Fleet Vehicle Replacement Program	685,000	667,000	240,000	390,000	215,000	400,000
Well Rehabilitation/Replacement Program		200,000	200,000	200,000	1,200,000	200,000
Water Line Replacement/Rehabilitation Program	745,896	1,650,000	2,100,000	2,100,000	2,100,000	2,100,000
Tank Maintenance Program	500,000		350,000		350,000	
Emergency Generator Program			200,000			250,000
Pumps Motor Program	150,000	150,000	150,000	150,000	150,000	150,000
Communications-Fiber-SCADA		30,000	75,000	75,000		70,000
Facility Improvements	80,000	195,000	175,000	175,000	175,000	125,000
Quill Treatment Plant Rehabilitation					1,000,000	9,000,000
Pressure Reducing Stations	100,000					
Airport Road Wastewater and Water Main	110,000					
Prison Hill Booster	397,000					
Local 1 Booster		151,000	604,000			
Arsenic Treatment Plant						150,000
Medical Parkway Booster Pump Station		1,000,000				
Booster Stations						640,000 ²⁵
Total Capital Projects	2,767,896	4,043,000	4,094,000	3,090,000	5,190,000	13,085,000

Water Model Debt Services

\$12.5M in bond sales to fund the Quill Treatment Plant anticipated design (2024) & construction (2025)

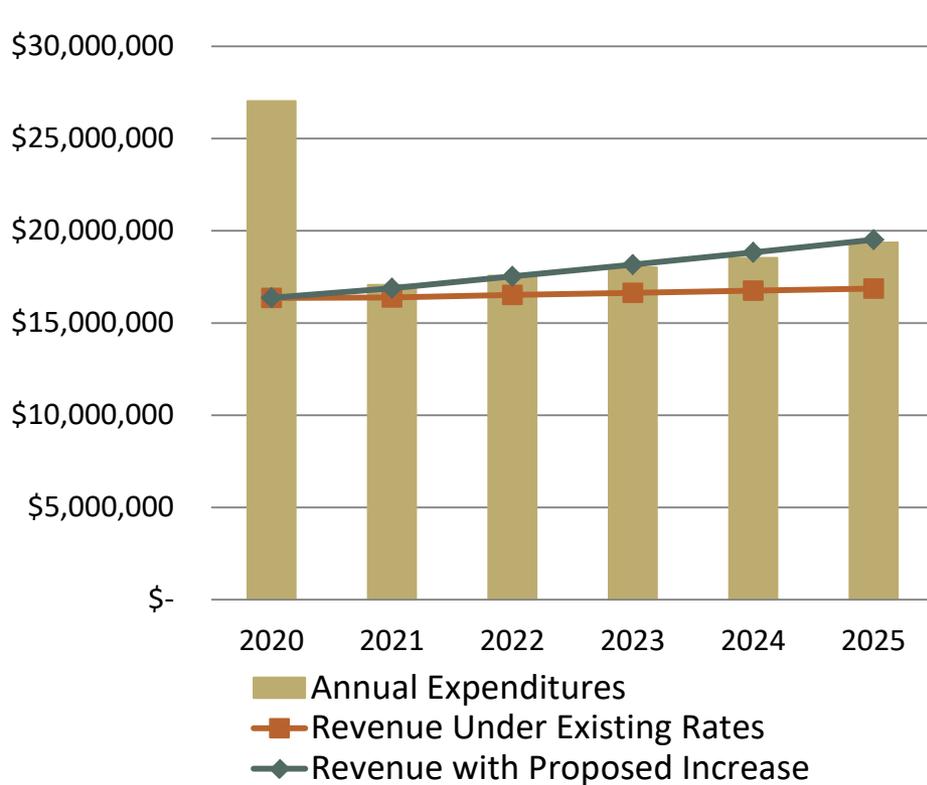
	2020	2021	2022	2023	2024	2025	2026
Existing Debt Service Payment	15,640,754	4,857,850	4,901,289	4,925,884	4,915,316	4,839,789	4,849,432
New or Retired Bond	Retires				New	New	New
New Debt Service Payment					83,867	881,097	934,538
Total Estimated Debt Service	15,640,754	4,857,850	4,901,289	4,925,884	4,999,183	5,720,886	5,783,970

	2027	2028	2029	2030	2031	2032	2033
Existing Debt Service Payment	4,899,404	3,169,104	3,180,890	3,177,847	3,186,263	2,222,509	2,252,485
New or Retired Bond	Retires	New			Retires		
New Debt Service Payment	934,538	1,212,627	1,212,627	1,212,627	1,212,627	1,212,627	1,212,627
Total Estimated Debt Service	5,833,941	4,381,730	4,393,516	4,390,474	4,398,889	3,435,135	3,465,111

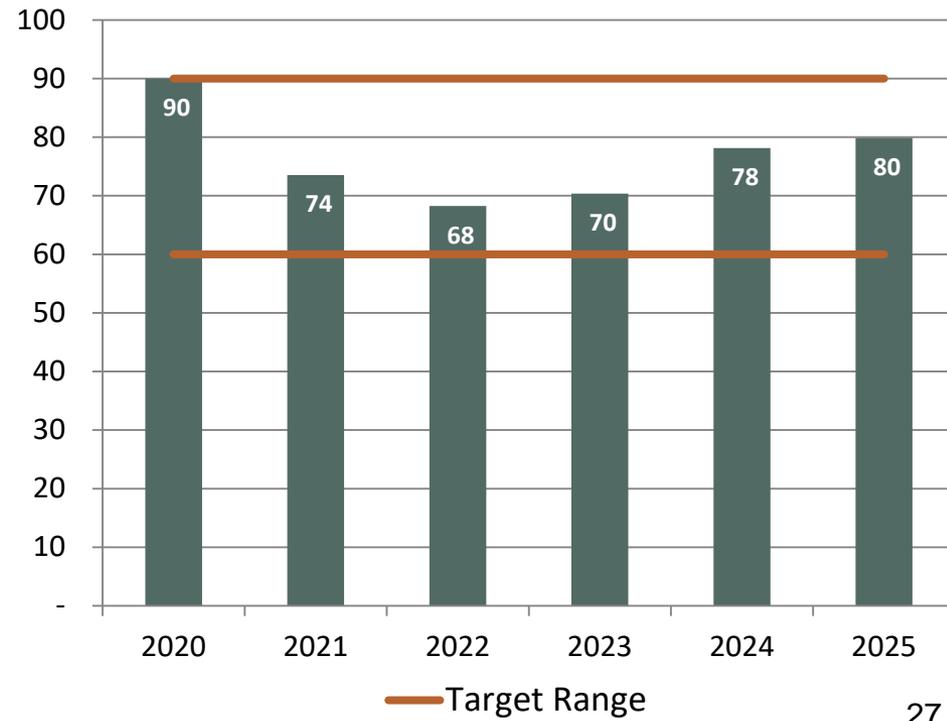
Water Rates Model Results

3% rate increase across-the-board every year for 5 years starting January 1, 2021

Revenue Requirement



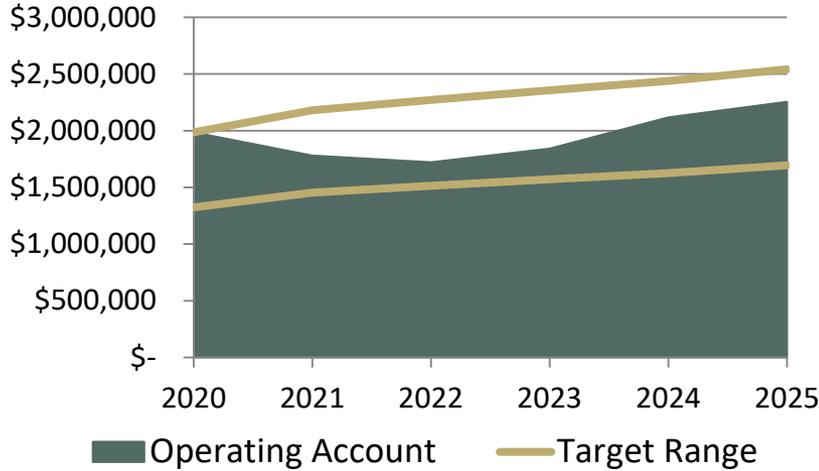
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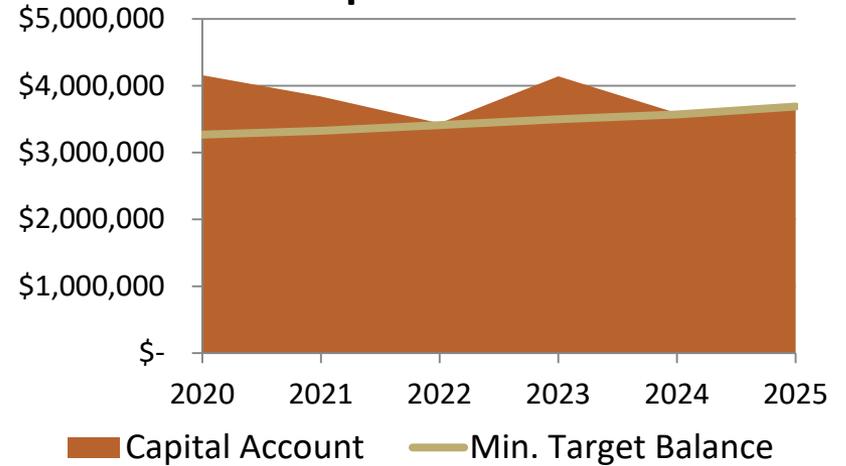
Water Rates Model Results

3% rate increase across-the-board every year for 5 years starting Jan 1, 2021

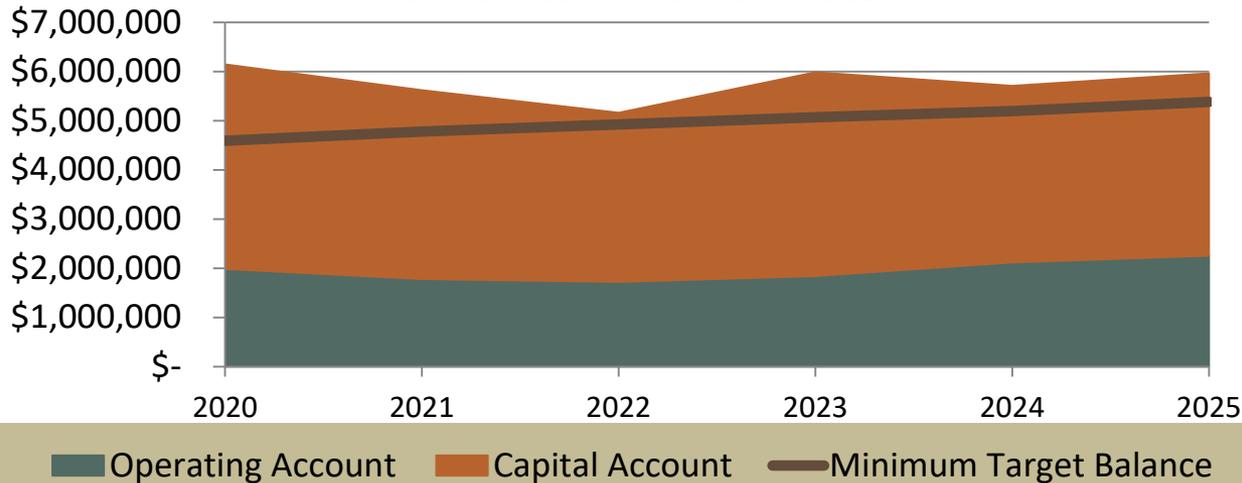
Operating Fund



Capital Fund



Combined Fund Balances



Water Rates Model Results

3% rate increase across-the-board every year for 5 years starting Jan 1, 2021

Customer Class	2021 Rates	2022 Rates	2023 Rates	2024 Rates	2025 Rates
Flat Rates					
Residential 5/8" Meter	\$ 28.21	\$ 29.06	\$ 29.93	\$ 30.83	\$ 31.79
Multifamily Per Unit	\$ 9.99	\$ 10.29	\$ 10.60	\$ 10.92	\$ 11.24
Commercial 1" Meter	\$ 42.93	\$ 44.22	\$ 45.54	\$ 46.91	\$ 48.32
Residential Tiered Volume Charges per kgal					
0 – 5 kgal	\$ 1.81	\$ 1.87	\$ 1.92	\$ 1.98	\$ 2.04
6 – 30 kgal	\$ 3.16	\$ 3.26	\$ 3.35	\$ 3.46	\$ 3.56
31+ kgal	\$ 5.06	\$ 5.21	\$ 5.37	\$ 5.53	\$ 5.69
Volume Charges per kgal					
Multifamily	\$ 2.05	\$ 2.11	\$ 2.17	\$ 2.24	\$ 2.31
Commercial	\$ 3.64	\$ 3.74	\$ 3.86	\$ 3.97	\$ 4.09
Large Commercial	\$ 3.82	\$ 3.94	\$ 4.05	\$ 4.18	\$ 4.30

Wastewater Model Rate Results

Wastewater CIP 2020-2025

Description	TOTAL FORECASTED PROJECT COSTS: FYE					
	2020	2021	2022	2023	2024	2025
Lift Station Reconstruction/Expansion	550,000	1,000,000			500,000	
Sewer Line Replacement / Rehabilitation	2,084,750	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Communications-Fiber-SCADA	40,000	40,000	40,000	40,000	40,000	40,000
Equipment Replacement WRRF / Lines	300,000	360,000	360,000	360,000	360,000	360,000
Facility Upgrade WRRF / Lines	225,000	175,000	175,000	175,000	175,000	175,000
Groundwater Protection-Sewer Maintenance	50,000	50,000	50,000	50,000	50,000	50,000
WRRF - Electrical Retrofit	100,000					
Reuse-Brunswick Canyon Reservoir Inlet/Outlet Rehabilitation		350,000				
Reuse-Distribution System Rehabilitation			500,000	500,000	500,000	1,000,000
Vehicle Replacement	220,000	352,000	145,000	225,000	225,000	225,000
Secondary Clarifier Effluent Pipeline Upsize			255,000			
Headworks-screw pump rehabilitation				182,000		
Dewatering System Rehabilitation			600,000		100,000	175,000
Primary Clarifier 2 Rehab						600,000
Facility Plan Update					250,000	
WRRF Expansion (Design) FY2029						
WRRF Expansion (Construction) FY2030						
WRRF Warehousing				650,000		
Clear Creek Sewer		1,000,000				
Total Capital Projects	3,569,750	5,827,000	4,625,500	4,682,000	4,700,000	5,125,000 31

Wastewater Model Debt Services

\$25M in bond sales to fund anticipated WRRF Expansion design (2029) & construction (2030)

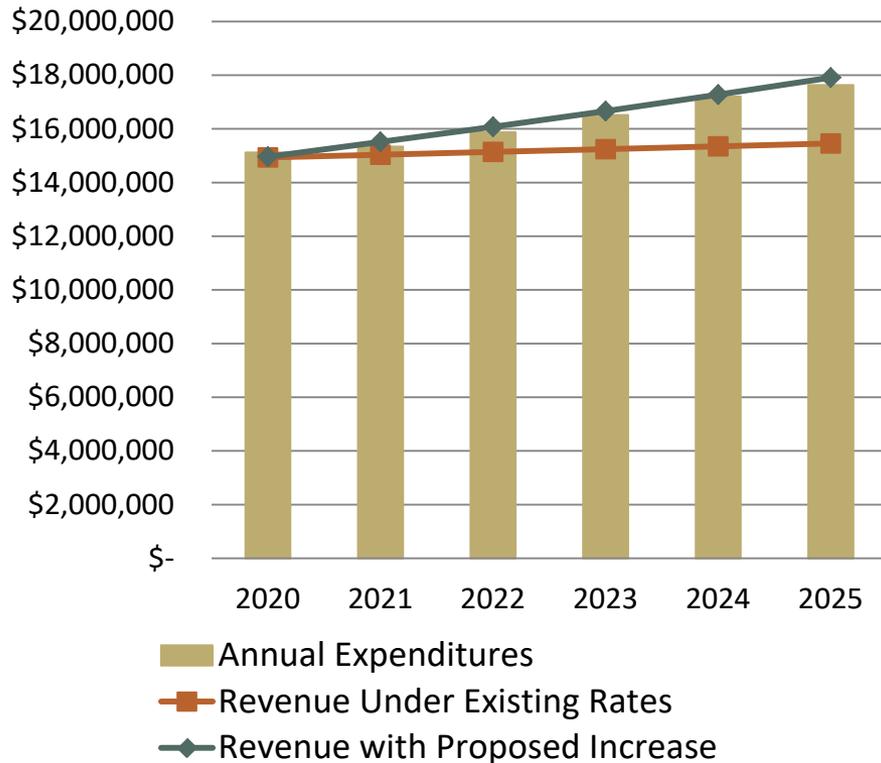
FYE	2020	2021	2022	2023	2024	2025	2026
Existing Debt Service Payment	4,190,787	4,085,892	4,085,932	4,078,077	4,095,901	3,810,658	3,813,173
New or Retired Bond						Retired	
New Debt Service Payment							
Total Estimated Debt Service	4,190,787	4,085,892	4,085,932	4,078,077	4,095,901	3,810,658	3,813,173

	2027	2028	2029	2030	2031	2032	2033
Existing Debt Service Payment	3,813,741	3,812,363	3,809,023	3,813,383	3,625,636	3,529,723	3,373,393
New or Retired Bond		New	New	New	New		
New Debt Service Payment		51,514	152,735	1,733,898	1,772,185	1,772,185	1,772,185
Total Estimated Debt Service	3,813,741	3,8863,877	3,961,758	5,547,280	5,397,821	5,301,909	5,145,578

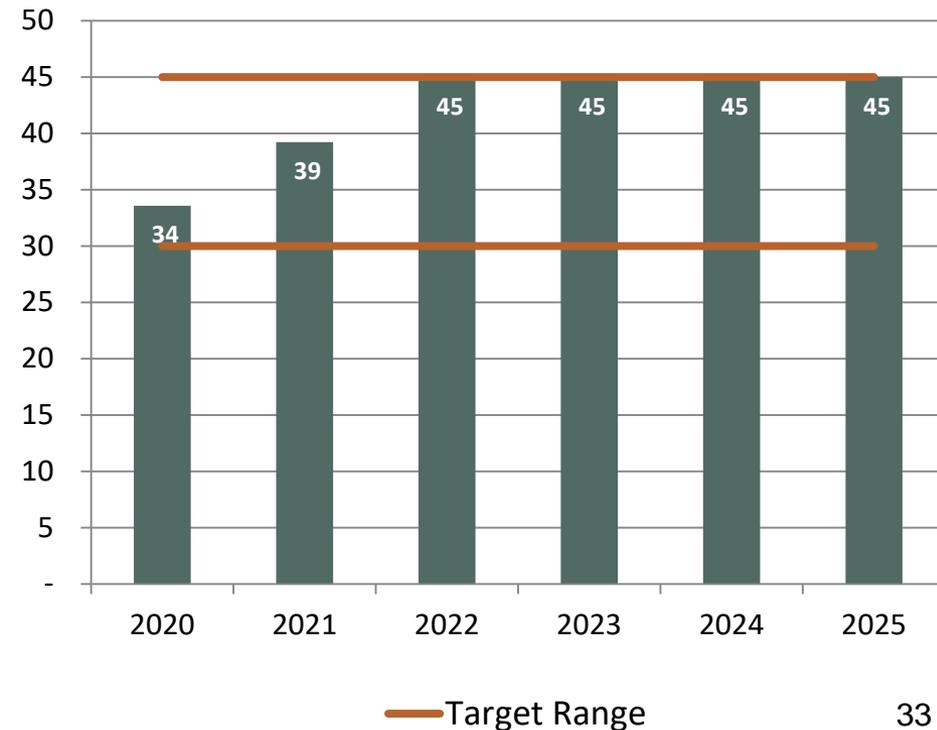
Wastewater Rates Model Results

3% rate increase across-the-board every year for 5 years starting Jan 1, 2021

Revenue Requirement



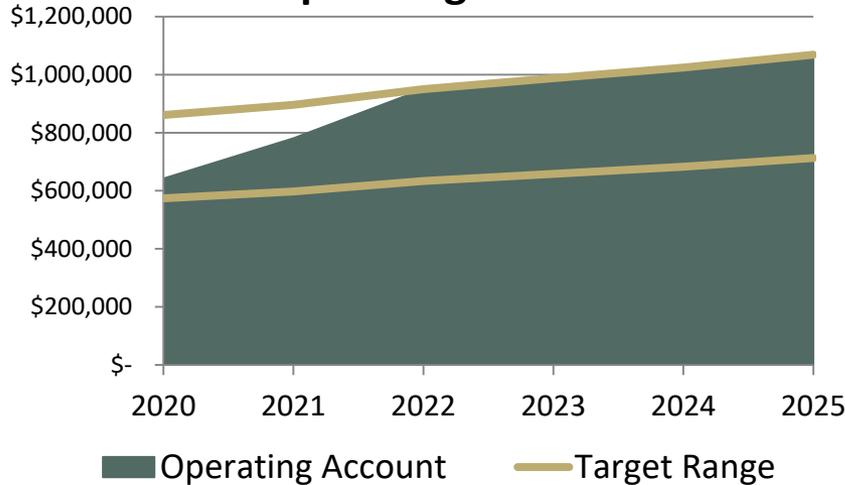
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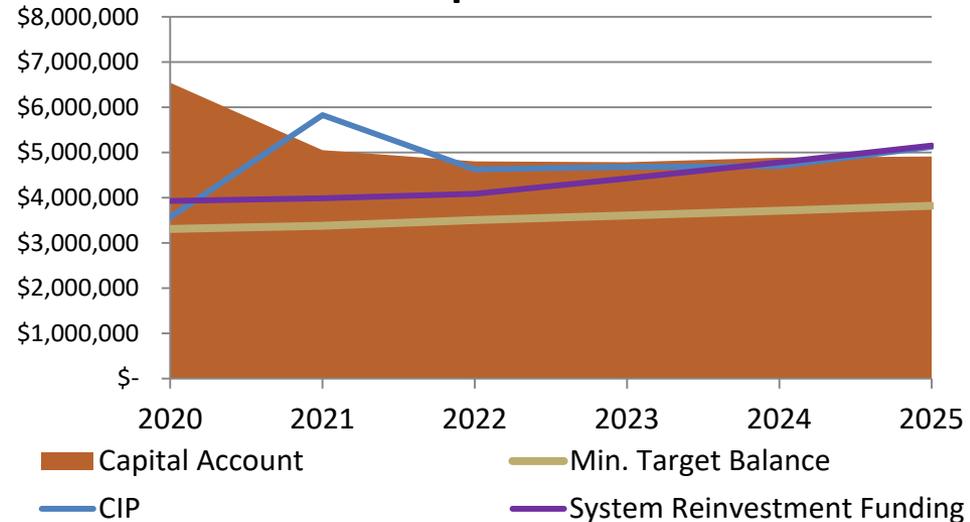
Wastewater Rates Model Results

3% rate increase across-the-board every year for 5 years starting Jan 1, 2021

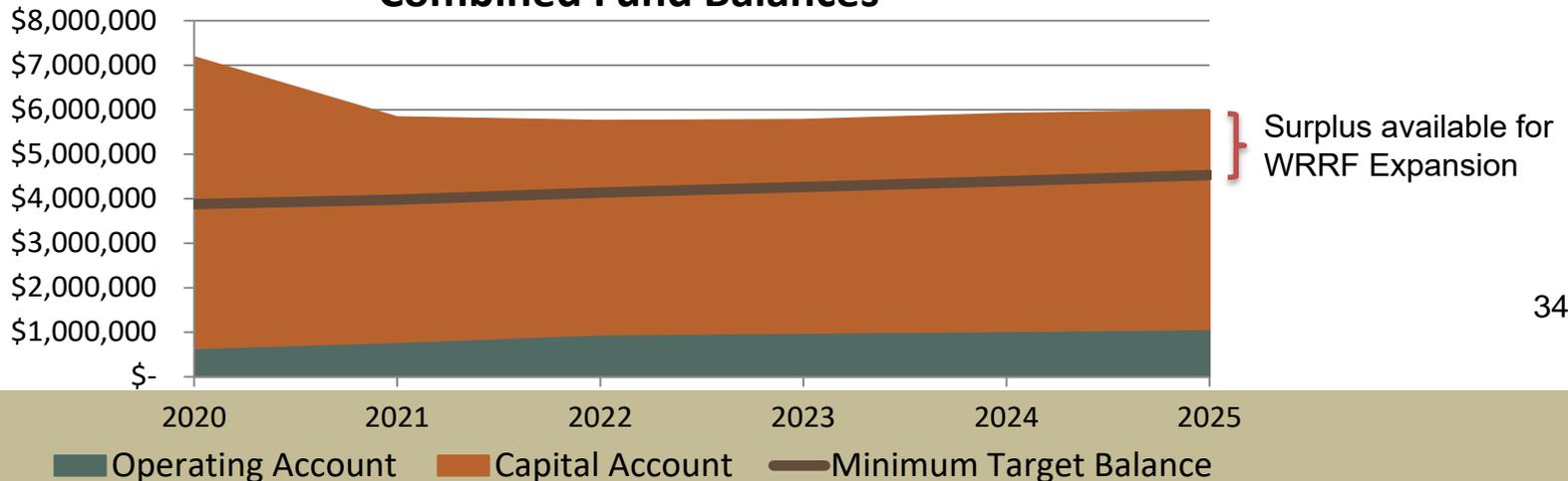
Operating Fund



Capital Fund



Combined Fund Balances



Wastewater Rates Model Results

3% rate increase across-the-board every year starting Jan 1, 2021

Customer Class	2021 Rates	2022 Rates	2023 Rates	2024 Rates	2025 Rates
Flat Rates					
Single Family Residential	\$ 41.66	\$ 42.91	\$ 44.20	\$ 45.53	\$ 46.89
Multifamily Residential	\$ 28.00	\$ 28.84	\$ 29.70	\$ 30.59	\$ 31.51
Metered Rates					
Low-Strength Commercial					
Base Charge	\$ 41.66	\$ 42.91	\$ 44.20	\$ 45.53	\$ 46.89
Volume Charge	\$ 6.98	\$ 7.19	\$ 7.41	\$ 7.63	\$ 7.86
High-Strength Commercial					
Base Charge	\$ 41.66	\$ 42.91	\$ 44.20	\$ 45.53	\$ 46.89
Volume Charge	\$ 12.34	\$ 12.71	\$ 13.09	\$ 13.48	\$ 13.89

Questions & Discussion

Thank you!

Utility Finance Oversight Committee Agenda Item Report

Meeting Date: January 13, 2020

Submitted by: Karen Leet

Submitting Department: Public Works

Item Type: Formal Action / Motion

Agenda Section:

Subject:

For Possible Action: Discussion and possible action to recommend to the Board of Supervisors a stormwater rate structure and rate increase that will generate additional revenue, up to an additional \$1.4 million, to support an improved City-wide stormwater program. (Darren Schulz, Dschulz@carson.org)

Staff Summary: The manager and consultant will present a program update and rate review of the stormwater management program. At the November 4, 2019 UFOC meeting comments were received and direction given to further develop two rate methodologies which could be used to update the stormwater rate structure. The methodologies have been further developed and will be presented. Staff seeks the Committee's recommendation to the Board of Supervisors of a specific rate structure.

Suggested Action:

I move to recommend to the Board of Supervisors the _____ stormwater rate structure and rate increase.

Attachments:

[SR-Stormwater Rate Study Update.docx](#)

[UFOC 1-13-20 V2 - CARSON EDITS.pptx](#)



STAFF REPORT

Item No. 2b

Report To: Utility Finance Oversight Committee

Meeting Date: January 13, 2020

Staff Contact: Darren Schulz, Director of Public Works

Agenda Title: For Possible Action: Discussion and possible action to recommend to the Board of Supervisors a stormwater rate structure and rate increase that will generate additional revenue, up to an additional \$1.4 million, to support an improved City-wide stormwater program. (Darren Schulz, Dschulz@carson.org)

Staff Summary: The manager and consultant will present a program update and rate review of the stormwater management program. At the November 4, 2019 UFOC meeting comments were received and direction given to further develop two rate methodologies which could be used to update the stormwater rate structure. The methodologies have been further developed and will be presented. Staff seeks the Committee's recommendation to the Board of Supervisors of a specific rate structure.

Agenda Action: Formal Action/Motion

Time Requested: 30 minutes

Proposed Motion

I move to recommend to the Board of Supervisors the _____ stormwater rate structure and rate increase.

Board's Strategic Goal

Sustainable Infrastructure

Previous Action

N/A

Background/Issues & Analysis

Stormwater rates are applied against each parcel of developed real property based on the zoning classification of the property. The current rates generate approximately \$1.8 million in annual revenue to support minimal operating & maintenance, debt service, and minimal capital improvements. An additional need of \$1.4 million has been identified to support operating & maintenance and capital improvements city-wide. Several alternative rate structures have been identified to address inequities in the current rate structure, each with different administrative and rate impacts. In 2017, an initial increase of 30 percent was implemented, with direction given to perform a study to review the rate structure and program needs.

In past presentations and discussions, the Utility Finance Oversight Committee has provided feedback regarding several alternative rate structures. Two rate methodologies have been further developed. One rate structure is based on modifying and tweaking the existing rate structure; the second is based on grouping properties by zoning and impervious area. Further consideration will be given to phasing in of rate increases, potential credit programs, indexing future annual rate increases based on the Construction Cost Index, and potential low-income assistance. Staff seeks the Committee's recommendation to the Board of Supervisors of a specific rate structure and direction on further issues to consider.

If a stormwater rate structure and rate increase are adopted by the Board of Supervisors, the next step will be preparation of a business impact statement. If an alternative rate structure is implemented, the rate plan could generate approximately \$1.4 million in additional revenue.

Applicable Statute, Code, Policy, Rule or Regulation
N/A

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number: Storm Water / fund 505

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: Monthly rates would increase depending on property class and rate structure selected.

Alternatives

Provide alternative direction.

Committee Action Taken:

Motion: _____

- 1) _____
- 2) _____

Aye/Nay

(Vote Recorded By)

Stormwater Utility Rate Adjustments

UFOC Meeting

January 13, 2020

Review of Direction from November 4

- What we have established: \$3.2 M revenue requirement; program requirements and goals, Capital Improvement Program
- Methods to evaluate further: “Grouped Impervious” and “Modify Existing”
- Evaluate Mitigation Credit Concept
- Look at combining commercial/manufacturing rate classifications
- Annual rate increases correlated to Construction Cost Index
- Consider phasing in the rate increase
- Consider Low Income Assistance

Existing Rates

Existing Rate Structure

Customer Class	Monthly Rate
Single Family Property	\$5.69
Multifamily Property	\$29.33
Public Property	\$32.03
Manufacturing Property	\$38.19
Commercial Property	\$40.96

Modify Existing Rate Structure

Customer Class	Billing Method	Minimum Rate	Maximum Rate
Single Family Property/Home-based business	Flat	\$9.34	N/A
Multifamily Property	By Unit @ 50% of SFR, Capped	\$9.34	Max Commercial
Ag/Open/Public Property	Flat	\$52.56	N/A
Commercial/Manufacturing Property	Tiered by parcel size	\$30	\$200

- Commercial/Manufacturing: Up to 0.25 AC = \$30; 0.25 to 1.0 AC = \$60; 1.0 to 5.0 AC = \$120; Over 5 AC = \$200
- Change billing method by Customer Class. Combine Commercial/Manufacturing
- Residential Usage in Commercial zoning pays single family rate
- Provide funding to FISH to offer low-income assistance

Contributing Revenue by Customer Class

Customer Class	% Revenue Before	% Revenue After
Single Family Property	58%	56%
Multifamily Property	6%	7%
Ag/Open/Public Property	3%	3%
Commercial/Manufacturing Property	33%	34%

Pros and Cons of Modifying Existing Rate Structure

Pros:

- More equitable than modified existing structure
- Based on feedback received to date
- Softens blow to largest properties, large ag/open space properties, and those who have installed on-site drainage improvements
- Provides funding to low-income assistance program
- Easy to administer

Cons:

- Technically less detailed than other methods
- Several billing methods to track

Grouped Impervious Area Approach

Existing Rate Structure

Customer Class	Monthly Rate
Single Family Property	\$5.69
Multifamily Property	\$29.33
Public Property	\$32.03
Manufacturing Property	\$38.19
Commercial Property	\$40.96

Proposed Rate Structure – Grouped Imp. Area

Customer Class	Monthly Rate
Single Family Property	\$9.34
Small NR (Less than 0.25 Acre)	\$30.00
Medium NR (0.25 to 1 Acre)	\$60.00
Large NR (1 to 5 Acres)	\$120.00
Very Large NR (Over 5 Acres)	\$240.00

Revenue vs. Impervious Area

Category	Monthly Rate	No. of Units	Annual Income	Total Estimated Impervious Area (Acres)	% of Total Impervious Area	% of Total Cost Burden
Residential	\$ 9.34	16388	\$ 1,836,767	1354	35%	57%
0.25 or less	\$ 30.00	607	\$ 218,520	85	2%	7%
0.25 to 1 acre	\$ 60.00	635	\$ 457,200	372	10%	14%
1 to 5 acres	\$ 120.00	334	\$ 480,960	937	24%	15%
Over 5 acres	\$ 240.00	81	\$ 233,280	1087	28%	7%
			\$ 3,226,727	3835		

Pros and Cons of Grouped Imp. Area

Pros:

- More equitable than existing structure
- Softens blow to largest properties

Cons:

- Less equitable than impervious area approach
- Difficult to administer (time consuming, costly)

Mitigation Credit Concept

1. Mitigation Credits apply to parcels that have provided on-site detention facilities.
2. Given two identically situated parcels, the parcel with on-site stormwater facilities will generate a smaller volume of runoff, at a slower rate and/or with less pollution than that parcel with no facilities.
3. The mechanics of calculating a precise amount of credit due each eligible customer must be well founded on engineering concepts.
4. Most credit structures are relatively simple with a flat percentage reduction upon proof of the stormwater facility's design, construction and maintenance.
5. A single credit value could be calculated for each stormwater design code that has been in effect in the City.
6. Given that large parcels are receiving a substantial subsidy, should they also be eligible for a credit?

Other Factors

- Annual rate increases correlated to Construction Cost Index
- Consider phasing in the rate increase
- Consider Low Income Assistance

Questions?

Utility Finance Oversight Committee Agenda Item Report

Meeting Date: January 13, 2020

Submitted by: Karen Leet

Submitting Department: Public Works

Item Type: Other / Presentation

Agenda Section:

Subject:

For Information Only: Presentation and discussion of Manager's report on personnel, projects and planning.
(Darren Schulz, Dschulz@carson.org)

Staff Summary: Manager's report on personnel changes, projects and planning.

Suggested Action:

For information only.

Attachments:

[SR-Managers Report.docx](#)



STAFF REPORT

Item No. 2c

Report To: Utility Finance Oversight Committee

Meeting Date: January 13, 2020

Staff Contact: Darren Schulz, Director of Public Works

Agenda Title: For Information Only: Presentation and discussion of Manager's report on personnel, projects and planning. (Darren Schulz, Dschulz@carson.org)

Staff Summary: Manager's report on personnel changes, projects and planning.

Agenda Action: Other/Presentation

Time Requested: 10 minutes

Proposed Motion

For information only.

Board's Strategic Goal

N/A

Previous Action

N/A

Background/Issues & Analysis

N/A

Applicable Statute, Code, Policy, Rule or Regulation

N/A

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact:

Alternatives

Committee Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)