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Reinventing tomorrow.

Evergreen Water and Sewer District

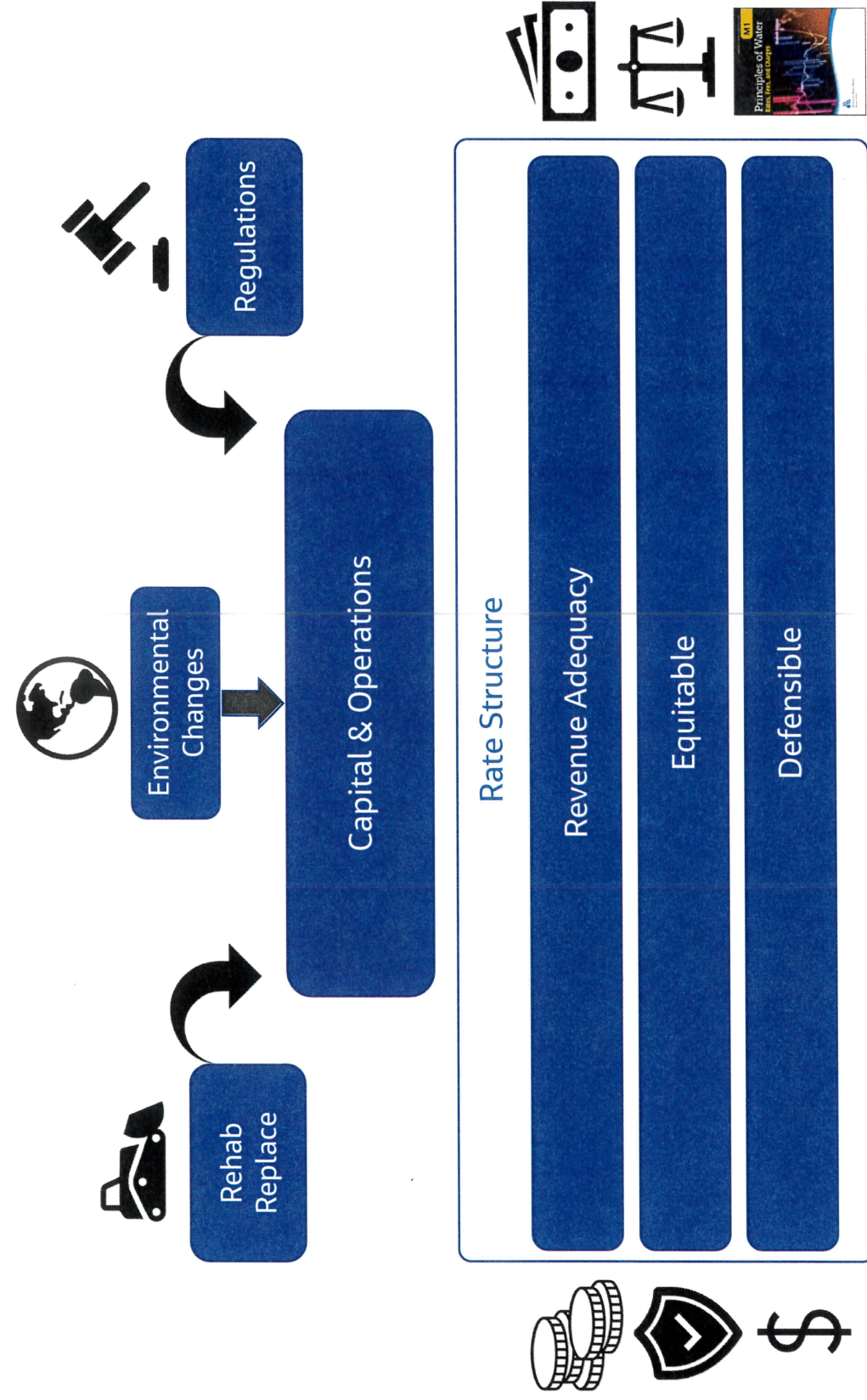
Water and Sewer Rate Update, DRAFT

April 2024

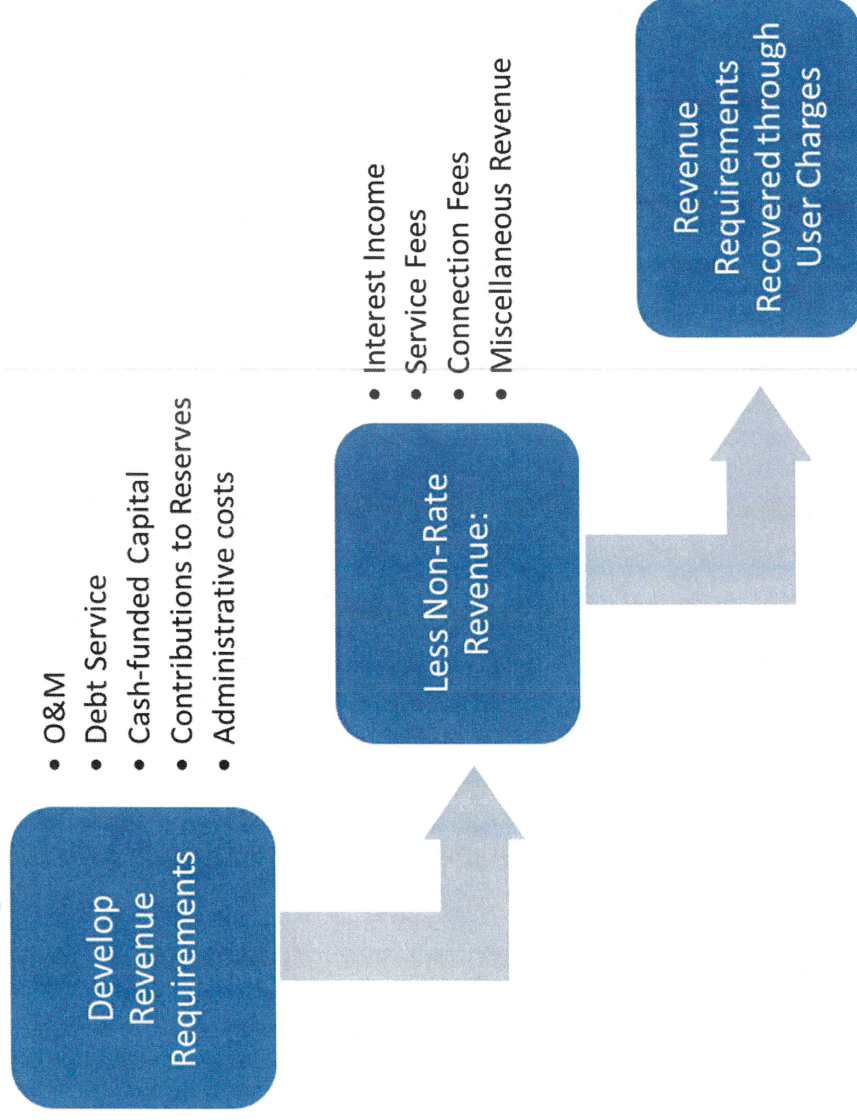
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Rate Study Update

- Conducted a rate study in 2022 and 2023; last rate changes were implemented in Spring of 2023 prior to the start of the Fiscal Year 2024.
- This year's update was done for the following reasons:
 1. **Changes to personnel costs:** the District has several staff changes and is anticipating additional staff changes over the next few years
 2. **Changes to Capital Planning:** the District made revisions to the water & WW projects in the CIP including the purchase of a building to house utility administration and operations in FY 2024.
 3. Overall economic conditions continue to create **uncertainty**
 4. **The Water Fund needs relatively larger increases in Year 1 to put it on a path of financial stability.** The percentage change is large relative to the actual dollar change in the monthly bill.



System Revenue Requirements



Financial Plan Assumptions

- General
 - Water Beg Balance FY 2024: \$576k
 - Sewer Beg Balance FY 2024: \$4.2 million
 - Maintain 120 days of operating expenses in each utility
 - Establish a \$1,000,000 capital reserve for each utility by end of FY 2028
 - Assume rate increases are implemented July 1, 2024 (start of the FY 2025 fiscal year)

Financial Plan Assumptions

- Inflation Assumptions: Inflation continues to be higher than historic averages. Higher inflation rates for the first two years of the analysis because of current economic conditions
 - Benefits: 8.0% per year
 - General: 5.0% in FY 2024 & 2025; 4% in FY 2026 through 2029
 - Labor: 5.0% per year to account for increase in wages
 - Capital costs were provided in year of expenditure dollars by the utility
- Annual Customer Growth Assumptions:
 - Residential: 2.0%
 - Multi Family: 2.0%
 - Commercial: 1.0%
 - Industrial: 0.0%

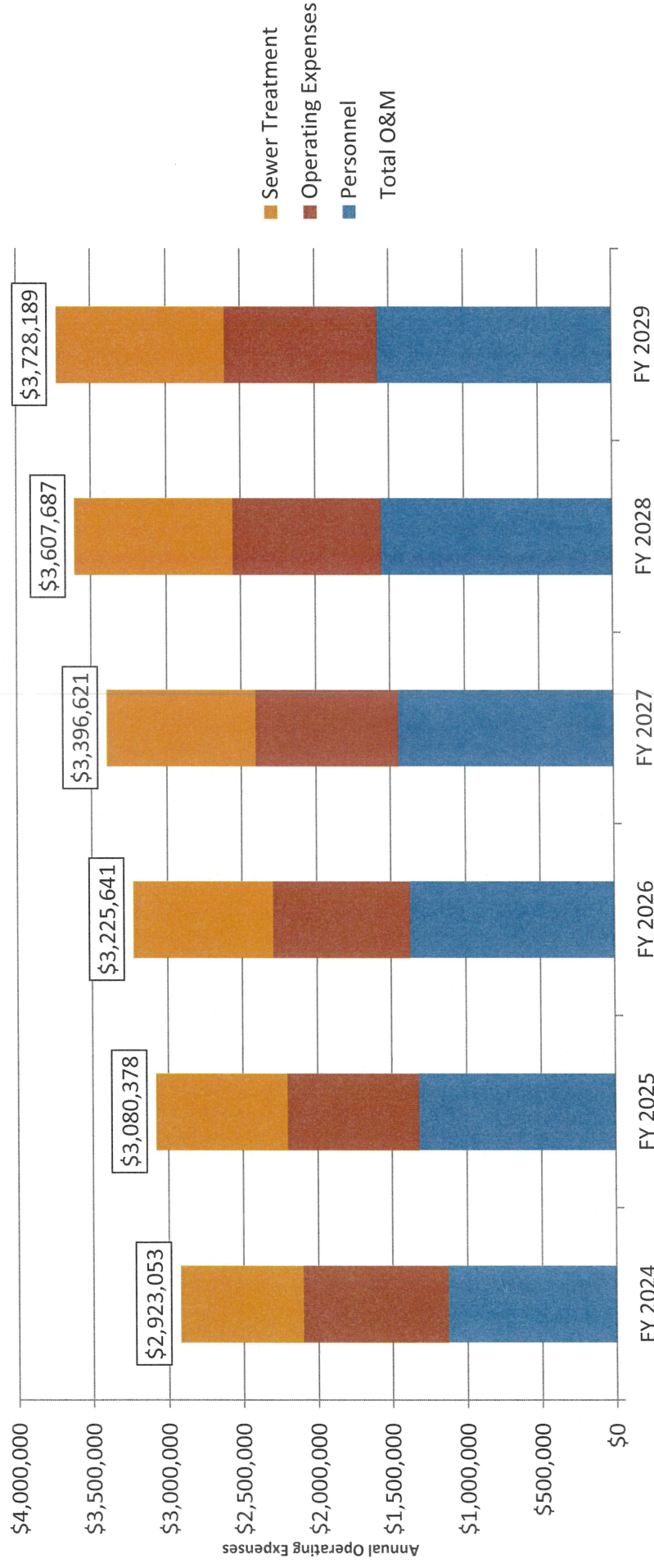
Financial Plan

- 5-year planning period (FY 2025 - FY 2029)
- Revenues projected based on existing rate structure
- Assumed capital projects would be funded through rate revenue, debt financing and capital reserves
 - CIP includes District's expected share of project cost (capital cost net of expected grants)
- **Assumed Kalispell Treatment Expenses will increase on average 6.5 percent per year**
- **An immediate interfund loan was assumed where the Sewer Fund loaned the Water Fund \$800,000.** The Water Fund will repay the loan over a 20 year period at 4.75 percent (or market loan rate, whichever is higher).

Financial Plan (cont'd)

- **Assumed debt financing** for larger capital projects (utility currently has no outstanding debt).
- **Assumed Loans from the State Revolving Fund program** (2.5%, 30 years for water; 20 years for sewer).
 - Loans will be received in FY 2025, FY 2026, and FY 2027
- Rates set to meet debt service coverage requirements of 1.20
- **The utility expects changes to its staffing plan over the analysis period**
- Customers that are part of the **pre-treatment program** will be assessed a new surcharge to cover the costs associated with the pre-treatment program. The charge will be \$3.00 per 1,000 gallons.
- The utility will charge a **Meter Replacement Fee** of \$4.00/month per account. This fee will generate revenue to cover the cost of meter replacement, installation, and cellular service.

Projected Operating Expenses, Combined Water and Sewer (average annual increase of 5.4% from FY 2024-29)



Capital Improvement Plan

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Total
CIP						
Water	\$956,573	\$1,037,558	\$189,992	\$269,958	\$519,958	\$2,974,039
Sewer	\$1,557,072	\$1,484,780	\$239,300	\$238,300	\$847,700	\$4,367,152
Fleet Water	\$52,500	\$23,500	\$457,500	\$0	\$0	\$533,500
Fleet Sewer	\$52,500	\$23,500	\$457,500	\$0	\$0	\$533,500
Total	\$2,618,645	\$2,569,338	\$1,344,292	\$508,258	\$1,367,658	\$8,408,191
Funding Sources						
Rates	\$968,645	\$869,338	\$544,292	\$508,258	\$1,367,658	\$4,258,191
Debt	\$1,650,000	\$1,700,000	\$800,000	\$0	\$0	\$4,150,000
Total	\$2,618,645	\$2,569,338	\$1,344,292	\$508,258	\$1,367,658	\$8,408,191

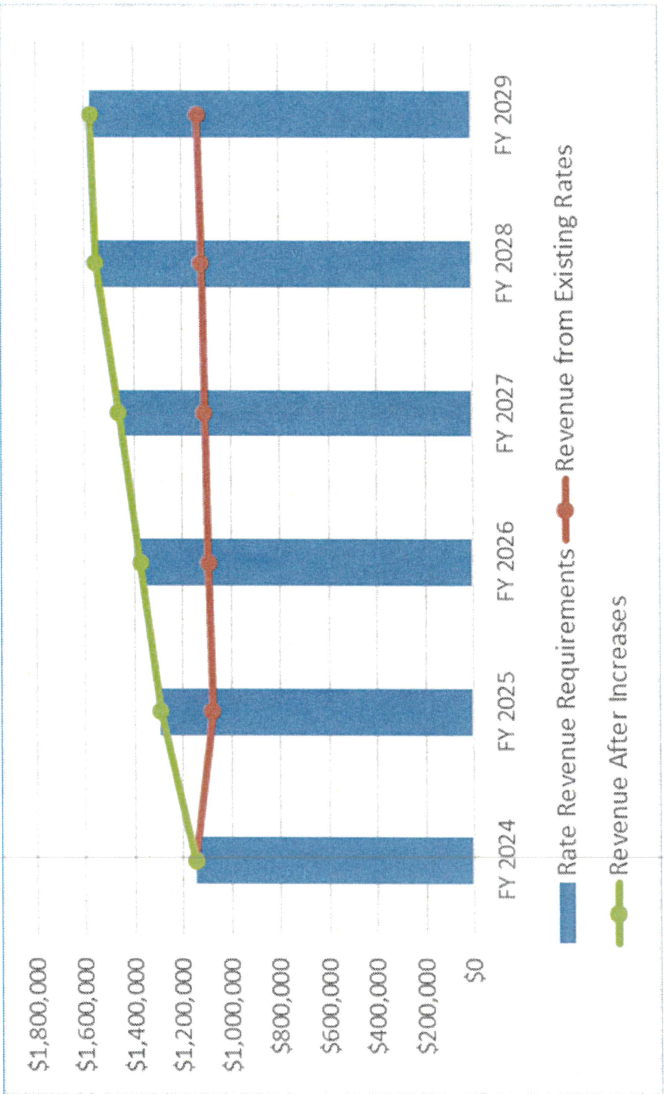
Note: CIP costs represent the District's share of expenditures (minus grants)

Proposed Water Rate Increases

Year	% Increase	\$ Increase (5,000 gallons)
FY 2025	20.0%	\$3.00
FY 2026	5.0%	\$0.90
FY 2027	5.0%	\$0.94
FY 2028	5.0%	\$0.99
FY 2029	5.0%	\$1.04

Assumed rate increases implemented in July of each year

Water Rate Revenue Requirements

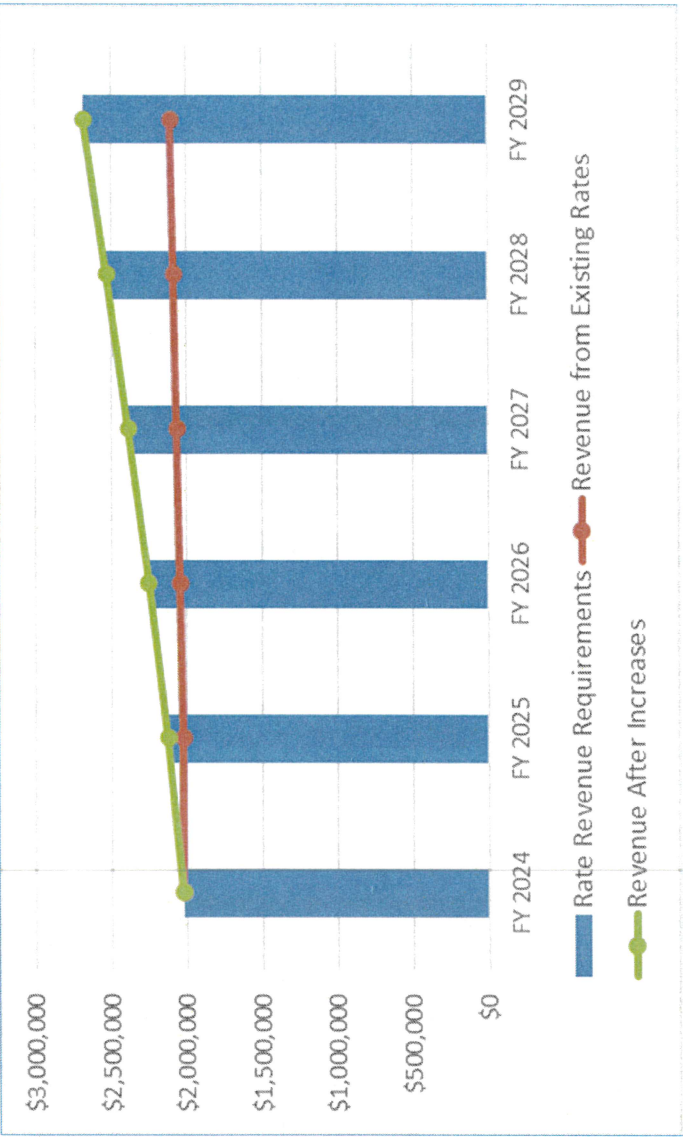


Proposed Sewer Rate Increases

Year	% Increase	\$ Increase (5,000 gallons)
FY 2025	5.0%	\$3.19
FY 2026	5.0%	\$3.34
FY 2027	5.0%	\$3.51
FY 2028	5.0%	\$3.69
FY 2029	5.0%	\$3.87

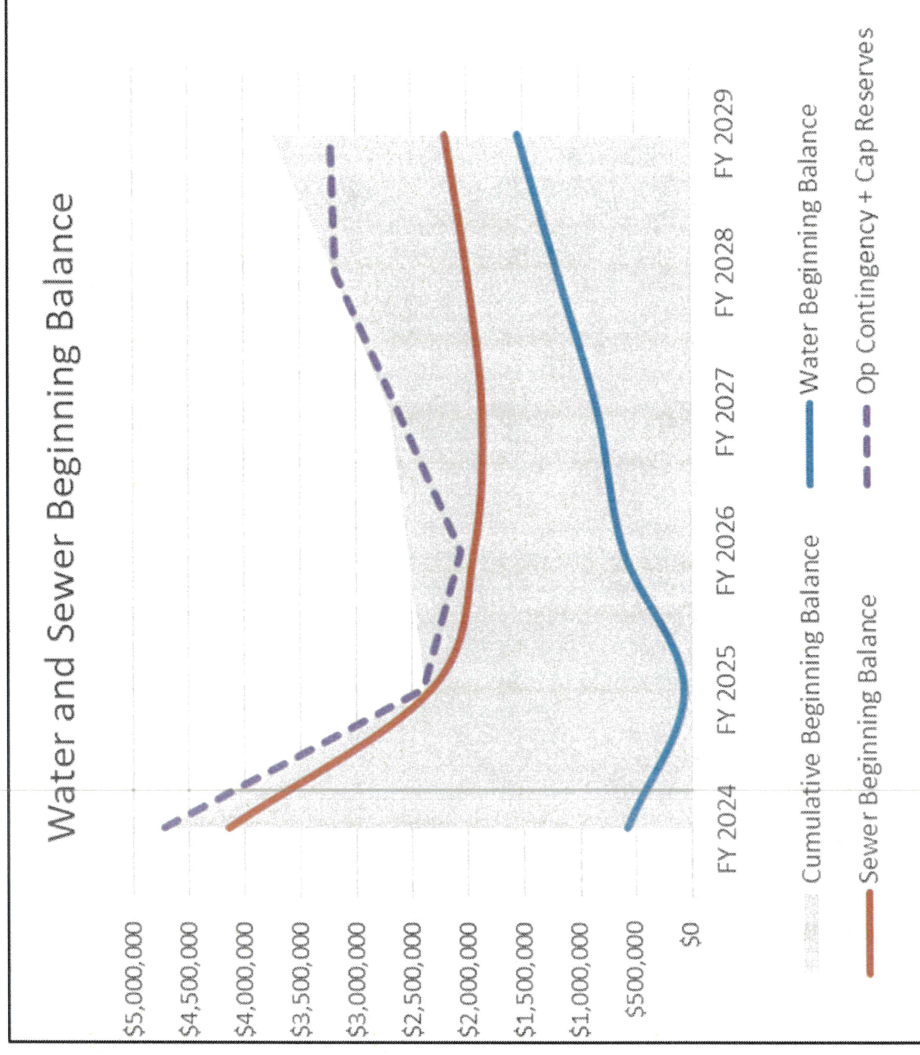
Assumed rate increases implemented in July of each year

Sewer Rate Revenue Requirements



Financial Plan Summary

- Water Rate Revenue:
Increase from \$1.1 million
in FY 2024 to
approximately \$1.6 million
in FY 2029
- Sewer Rate Revenue:
Increase from \$2.0 million
in FY 2024 to \$2.7 million
in FY 2029
- Annual debt service
increases to \$235,000 per
year by FY 2029
 - No existing debt for
either system



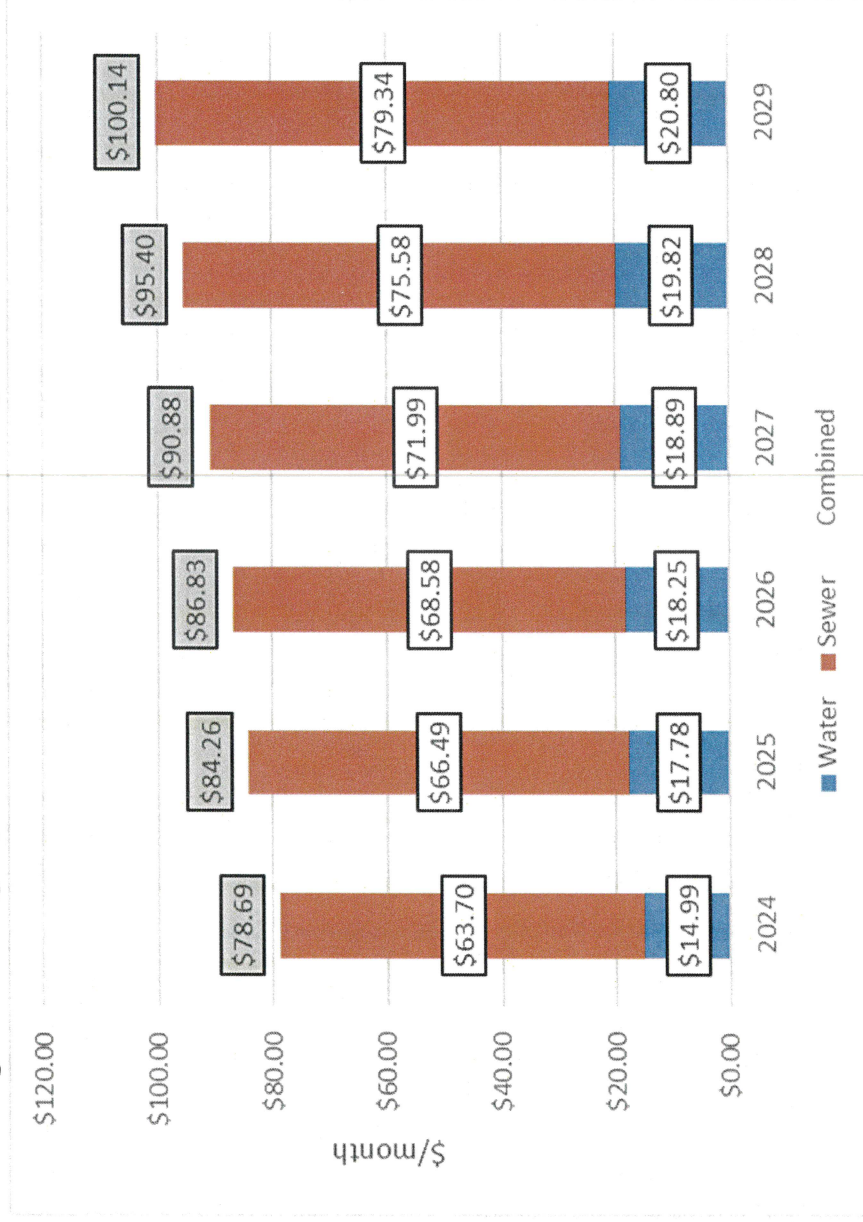
Proposed Water Rates

Meter Charge	2024	2025	2026	2027	2028	2029
3/4"	\$7.94	\$9.53	\$10.00	\$10.50	\$11.03	\$11.58
1"	\$9.69	\$12.70	\$16.67	\$17.51	\$18.38	\$19.30
1 1/2"	\$14.06	\$20.64	\$33.35	\$35.02	\$36.77	\$38.60
2"	\$19.30	\$30.17	\$53.36	\$56.02	\$58.83	\$61.77
3"	\$43.32	\$73.84	\$145.06	\$152.32	\$159.93	\$167.93
4"	\$70.83	\$123.86	\$250.11	\$262.62	\$275.75	\$289.53
6"	\$145.08	\$258.84	\$533.57	\$560.25	\$588.26	\$617.67
8"	\$249.90	\$449.40	\$933.74	\$980.43	\$1,029.45	\$1,080.93
Volume (\$/000)	\$1.41	\$1.65	\$1.65	\$1.68	\$1.76	\$1.84

Proposed Sewer Rates

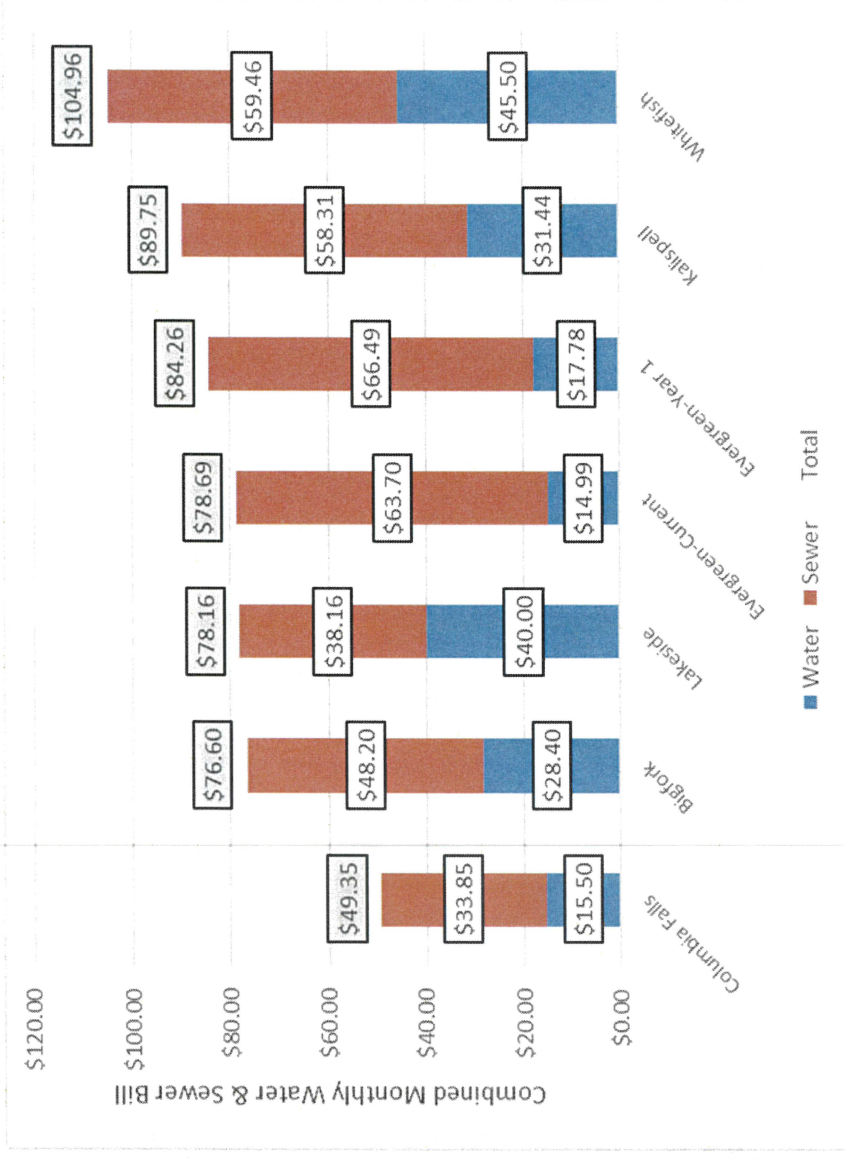
Meter Charge	2024	2025	2026	2027	2028	2029
3/4"	\$13.65	\$14.33	\$15.05	\$15.80	\$16.59	\$17.42
1"	\$16.65	\$19.11	\$25.08	\$26.34	\$27.65	\$29.04
1 1/2"	\$24.16	\$31.05	\$50.16	\$52.67	\$55.31	\$58.07
2"	\$33.17	\$45.39	\$80.26	\$84.28	\$88.49	\$92.91
3"	\$74.47	\$111.08	\$218.21	\$229.12	\$240.58	\$252.61
4"	\$121.77	\$186.32	\$376.23	\$395.04	\$414.79	\$435.53
Volume (\$/000)	\$10.01	\$10.43	\$10.71	\$11.24	\$11.80	\$12.38

Estimated Monthly Charge, Residential 5k gallons, 3/4" meter



Water and Sewer Monthly Bill Comparison

- Assumes 5,000 gallons of water use
- Rates comparison based on best available public information from March 2024
- Monthly bill comparison is for base and volume charge only
 - Monthly meter replacement and cellular fee not included in comparison



Changes to Fees and Billing

- Due to EPA regulations the District must comply with a Pretreatment Program. Each Pretreatment Account will be surcharged a \$3.00 per 1,000 gallon fee based off water usage to fund the Pretreatment Program.
 - Penalties will be assessed for non-compliance of the pretreatment program to include termination of service until compliance is met.
- Due to Service life, obsolescence, and new technology, The District will assess a \$4.00 monthly Meter Replacement Fee and cellular fee to each Account
- Residential connection fee assessed based on number of units. Paid before service is activated.
- The District will remove the third tier Sewer Facility Fee. The third tier will be combined into second tier fee structure or 75% EDU of Single Family Residence

Changes to Fees and Billing

- The District will change the water connection fee based on meter size for New multi-family buildings, and fee will be based on 75% of an average Single Family Residential EDU fee assessed based on the number of units.
- All metered irrigation accounts will be charged the meter base rate year-round.
- Commercial Accounts that irrigate must install a separate irrigation not to be billed sewer on irrigation use.
- The summer irrigation period for average sewer billing for all Residential and New Commercial - End Use Residential accounts will be changed from April through October to May Through September. Winter Averages will be based on usage from October through April.

Recommendations

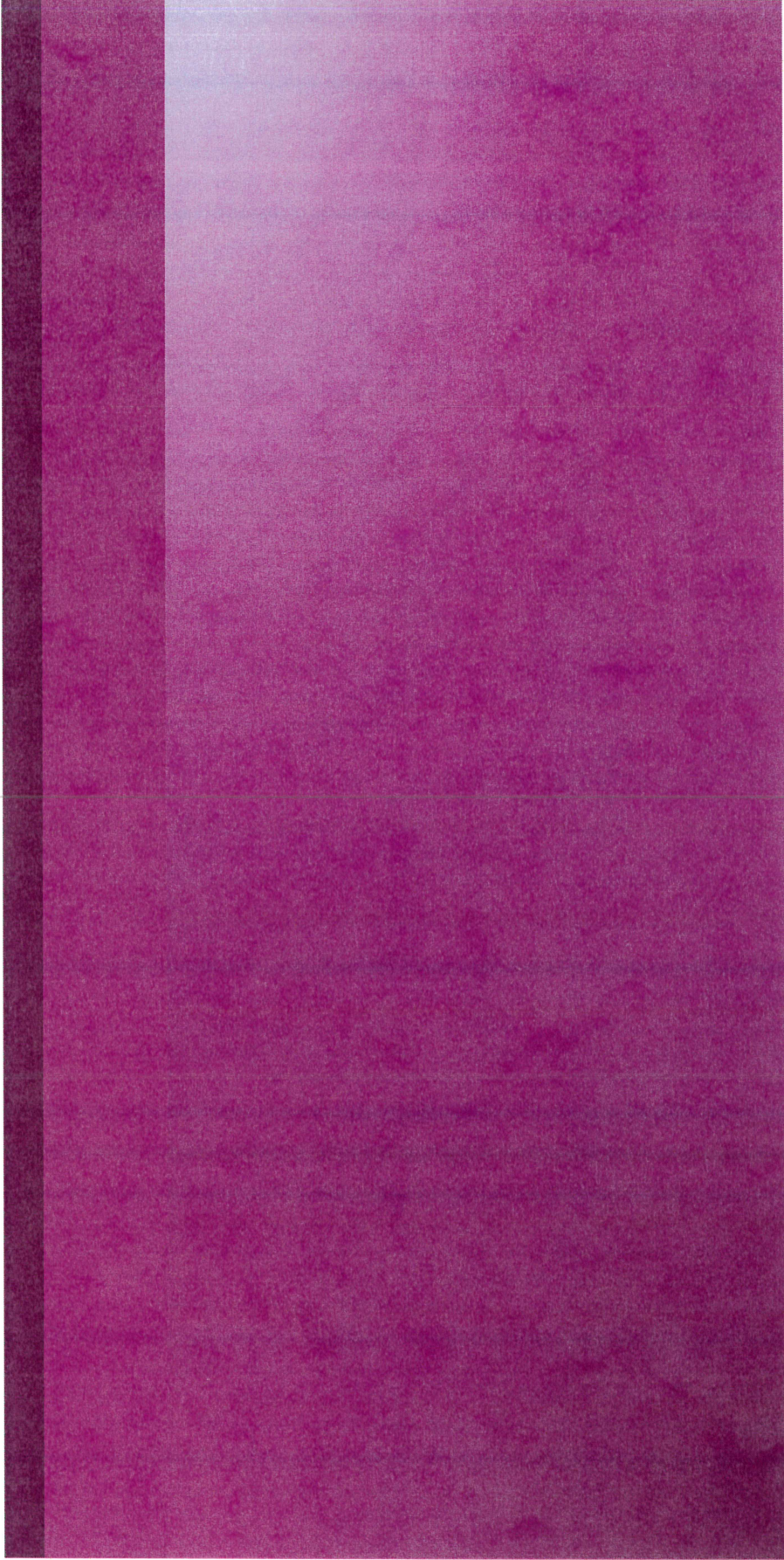
- Continue to phase in the changes to the monthly meter charges by meter size
- Review actual revenues and expenditures annually, and adjust rates as necessary
 - Recommend conducting a Cost of Service Analysis on the water and sewer utility after completion of the water system plan
 - As part of the Cost of Service Analysis, consider implementing a tiered volume charge for the water system to encourage conservation
- Consider revising the water and wastewater connection fee to raise funds to pay for capital associated with new growth upon completion of the water system master plan
- Pursue other sources of funds for capital projects i.e. low interest loans, grants
- Adopt a surcharge of \$3.00/000 gallons to cover the cost of the pre-treatment program
- Adopt a monthly Meter Replacement Charge to each account of \$4.00/month
- Adopt other proposed changes to Fees and Billing as presented

Thank you!

Jacobs

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Rate Study Objectives

Revenue Adequacy

- Rates that will generate sufficient revenues to meet projected costs and other requirements (e.g., fund operating contingency)

Rate Equity

- Rates designed to recover each customer class's estimated cost of service

Defensibility

- The methods used to develop rates are consistent with industry standard practices
- AWWA M1 Rate Manual provides industry guidance