

MEMO

TO: Michelle Metteer, Manager

DATE: August 26, 2024

FROM: James Mann, Financial Analyst

RE: Water Treatment Plant Probable Cost – Probable Rate Impact Analysis

Based on the 30% design of the replacement water treatment plant cost estimates between \$12 million and \$14 million, the Town requested an evaluation of the impact of the project cost on the Town's water utility rate structure. After discussion with the Town's WTP Engineer, the \$14 million upper end of the project includes adequate contingency for the project, so the below analysis utilizes the upper end as the needed capital. The goal would be to get to a 90% design standard prior to issuing the debt, with the hopes of having a better final number to minimize the debt that would be issued.

In looking at the anticipated impacts, the following assumptions were used:

- Base Water Rates as established
- Volumetric Water Rate Tiers as established
- Implementation of a Senior Water Rate Structure that impacts 30 customers
- Adjustment of the Tap Fee to reflect cost of new plant – revised tap fee of \$15,383
- Anticipated Community Development of 426 additional taps broken out and absorbed as follows:
 - Minturn North - 30 taps already accounted for
 - Malloitt Park – 120 taps
 - 100 Block Redevelopment – 30 taps
 - Infill/Other – 246
 - Assume 30 Senior Rate Class accounts (frozen monthly fees)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Current SFEs	792.3	792.3	762.3	777.3	802.3	832.3	862.3	892.3	922.3	937.3	942.3
Minturn North	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Malloitt Park	120.0	0.0	0.0	10.0	20.0	20.0	20.0	20.0	10.0	0.0	0.0
100 Block	30.0		5.0	5.0	5.0	5.0	5.0	5.0			
Infill	246.0	0.0	0.0	0.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Less Senior Rates			(30.0)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)
Total SFEs	396.0	792.3	762.3	777.3	802.3	832.3	862.3	892.3	922.3	937.3	942.3

- Anticipated Borrowing Rate of 3.50%
- Total Borrowing, including remaining engineering, construction management, and issuance costs of \$13,590,000
- 30-year amortization schedule
- Assume fully amortized debt payment in 2025
- Debt Coverage at a minimum 1.20x to meet bond covenants.

Based on the above assumptions, the rate estimate would require debt service fees to be set at a high of \$117.89/month (impact 2025) and declining thereafter based on the absorption of additional SFEs due to development. This represents a \$100.42 increase over the current debt service requirements to service the existing debt issued in 1997 and 2021. As noted above, it is assumed that in 2025 there would be a fully amortized debt payment that the Town may be able to work with CWRPDA on the defer principal through 2025 (increases principal payments thereafter).

An alternative would be to pay off the Town's existing non-CWRPDA debt early utilizing reserves, eliminating the covenant to maintain a 1.20x coverage, allowing the town to drop the coverage down to 1.10x. While the Town would be paying off the original USDA-RD loan (since refinanced), the impact would reduce the impact high in 2025 down to \$106.33/month, saving each SFE approximately \$139 in the first year. The overall savings per SFE over the 30-year amortization with the reduction in coverage requirement is approximately \$2,960.