



# City of Salida, CO

Utility Rate Study

November 4, 2024

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# Overview

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- Background on enterprise funds
- Purpose and approach of the study
- System Development Fee (SDF) Study
- Water and Sewer Rate Study
- Next Steps

# Utility Enterprise Funds

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## Enterprise Funds

Intended to operate as a business



## Water

Cost for providing clean water for drinking, indoor, recreational, and commercial use



## Sewer

Costs related to treatment of waste discharged into the sewer system

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# What exactly do they do?

# Water Utility

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**Extraction:** Raw water is collected from surface water, like lakes and rivers, or from underground aquifers using **wells** and **well pumps**.



**Treatment:** **Water treatment facilities** treat raw water, remove minerals and harmful pollutants, and make it safe for human consumption.



**Storage:** **Water towers** and **reservoirs** store treated water and manage water pressure and flow to ensure the municipality can meet customer demands and fire flow requirements.



**Distribution:** **Water mains**, which are miles of buried pipes, **valves**, and **booster stations**, which are used to manage flow, and deliver the treated water to homes and businesses.

# Sewer Utility

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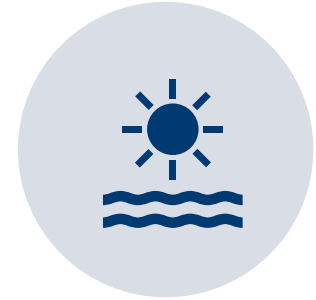
## Collection:

Wastewater flows away from homes and businesses utilizing miles of **sewer main pipe infrastructure** and **lift stations** to reach its treatment destination



## Treatment:

Once received by the municipality, the wastewater is then treated at a **treatment facility** where solids, grease, oil, chemicals, and other pollutants are removed



## Distribution:

Once the wastewater has been treated and deemed to be safe, it is returned to the environment

# Purpose of the Studies

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## Maintain Financial Health

- Ensure utilities are self-sufficient
- Maintain healthy reserves

## Inform Capital Planning

- Determine how Capital Improvement costs (CIP) will be funded

## Establish Development Fees

- Determine equitable system for having growth pay for growth

## Estimate Bill Impacts

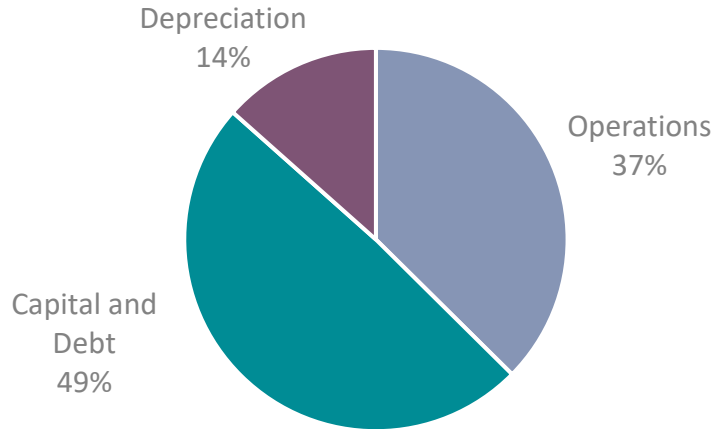
- Look at user impacts and overall affordability

# What is driving the need for rate increases?

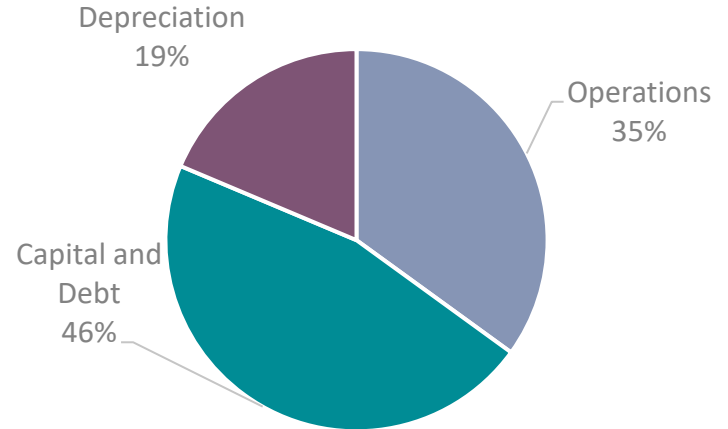
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Utilities are capital intensive

2028 Water Expenditures



2028 Sewer Expenditures





# Major Capital Projects – Water Fund

Improvement	Year	Cost (Today's Dollars)
Mesa Water Storage Tank	2025-2026	\$3,500,000
Water Pipeline for Base Zone Interconnect	2026-2027	\$2,900,000
Water Pipeline for High Zone Interconnect	2027-2028	\$3,500,000
Harrington Ditch Pipeline	2028-2029	\$4,670,000
Airport Water Storage Tank	2028	\$3,500,000
Water Treatment Plant Replacement	2031-2034	\$45,000,000

# Major Capital Projects – Sewer Fund

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Improvement	Year	Cost (Today's Dollars)
Phosphorous Removal WWTF Improvements	2026-2027	\$550,000
Highway 50 Interceptor	2026-2027	\$14,600,000
Wastewater Biosolids Treatment Improvements	2032-2033	\$3,580,000

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# System Development Fees

# SDF Framework

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All fees based on  
Equivalent  
Residential Units

- ERU's based on a combination of flow data and policy

# Previous Sewer ERU Calculations

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- One Equivalent Residential Unit (ERU) = 180 gallons per day
  - ✓ Based on City of Salida engineering data
- Multifamily properties and Accessory Dwelling Units (ADUs) discharge 90% of single-family effluent
  - ✓ One multifamily unit = 0.9 ERU
- Affordable Housing unit = 0.4 ERU
- Commercial property assumed to have 2.5 ERUs per connection

# Proposed ERU Modification: Goals

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Address concern  
about affordability  
for multifamily  
rental properties

Ease  
administration

# Solution: Conform Water and Sewer ERU Calculation

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- Multifamily/ADU water use is approximately 50% of single-family water use on a per unit basis
  - ✓ Based on billing data
- Establish Multifamily/ADU units at 0.5 ERU's for both water and sewer
- Maintain affordable housing units at 0.4 ERU's

**Impact:** Future Sewer SDF rate increases (after 5 years) will be 4.5% per year instead of 3.5% per year

# Proposed 2025 Sewer SDFs – Salida Only

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Housing Type	2024 Fee per Unit	2025 Proposed Fee per Unit	Proposed Change
Single Family	\$ 5,206	\$ 6,485	\$ 1,279
Affordable Single Family	\$ 2,082	\$ 2,594	\$ 512
Condo	\$ 3,905	\$ 3,242	\$ (663)
Affordable Condo	\$ 2,082	\$ 2,594	\$ 512
Market Rate Rental Apartment	Varies	\$ 3,242	Varies
Affordable Apartment	Varies	\$ 2,594	Varies

*Note: Current fee for apartments varies based on meter size and number of units*



# Future Salida Sewer System Development Fees

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	2025	2026	2027	2028	2029
Fee per ERU	\$6,485	\$7,764	\$9,042	\$10,321	\$11,600

Sewer SDF fee will need to **increase 4.5% annually in 2030 and beyond**

# Capital Costs to Recover with Water SDFs

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Mesa Water Storage Tank: \$3.5M

50% of Harrington Ditch Pipeline: \$2.3M

30% of Airport Storage Tank: \$1.2M

25% of Water Treatment Plant: \$11.25M

# Estimated Future Growth

## Estimated Development (Average of Last 6 Years)

### Salida

Single Family Units	51
Multifamily/ADU Units	26
Commercial/Industrial Connections	7

Assumed Growth Future Years	75%
ERU's Assumed for Study	57

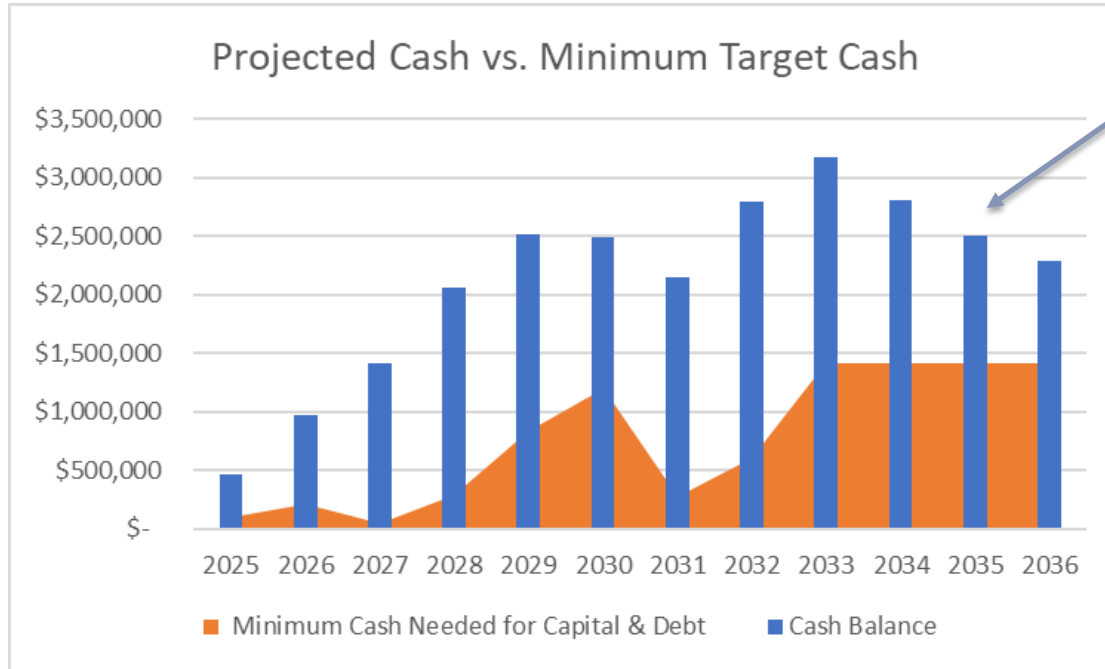
# Proposed 2025 Water SDFs – Salida Only

Housing Type	Current Fee per Unit	2025 Proposed Fee per Unit	2025 Proposed Increase
Single Family	\$ 8,512	9,363	\$ 851
Affordable Single Family	\$ 3,405	3,745	\$ 340
Condo	\$ 6,384	4,682	\$ (1,702)
Affordable Condo	\$ 3,405	3,745	\$ 340
Market Rate Rental Apartment	Varies	4,682	Varies
Affordable Apartment	Varies	3,745	Varies

*Note: Current fee for apartments varies based on meter size and number of units*

Water SDF fee will need to increase 7% annually in 2026 and beyond to fund a portion of the water treatment plant replacement

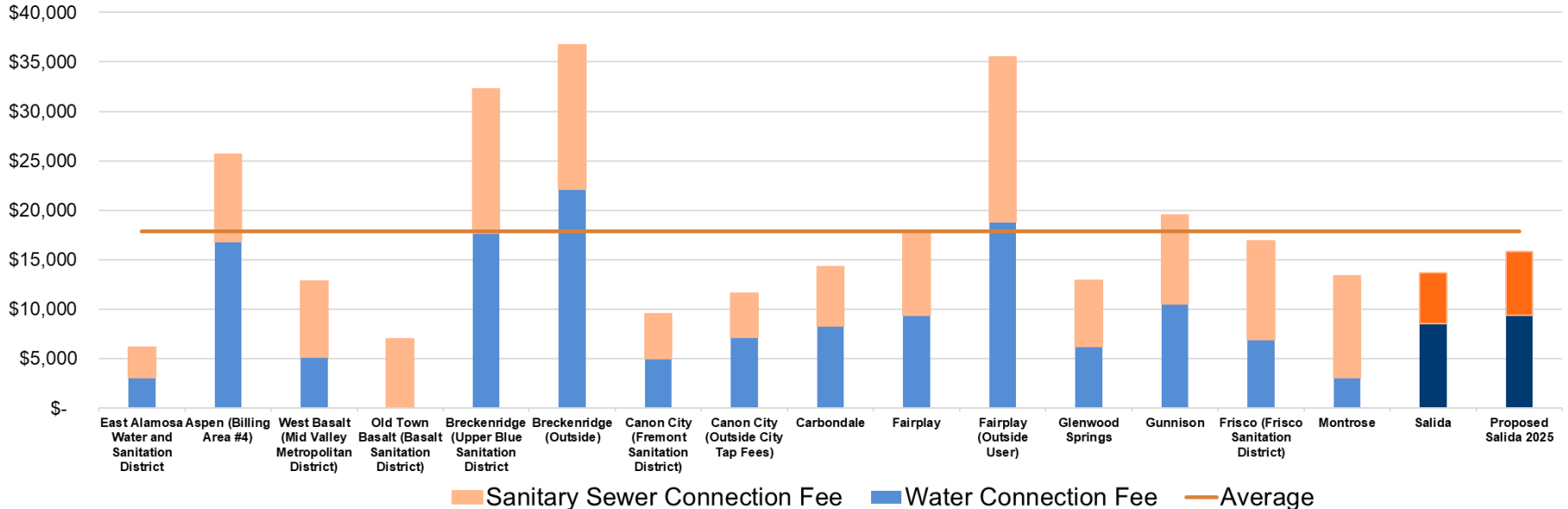
# Projected Cash Needs for Water SDF's



Water Treatment Plant  
debt service  
will draw down cash

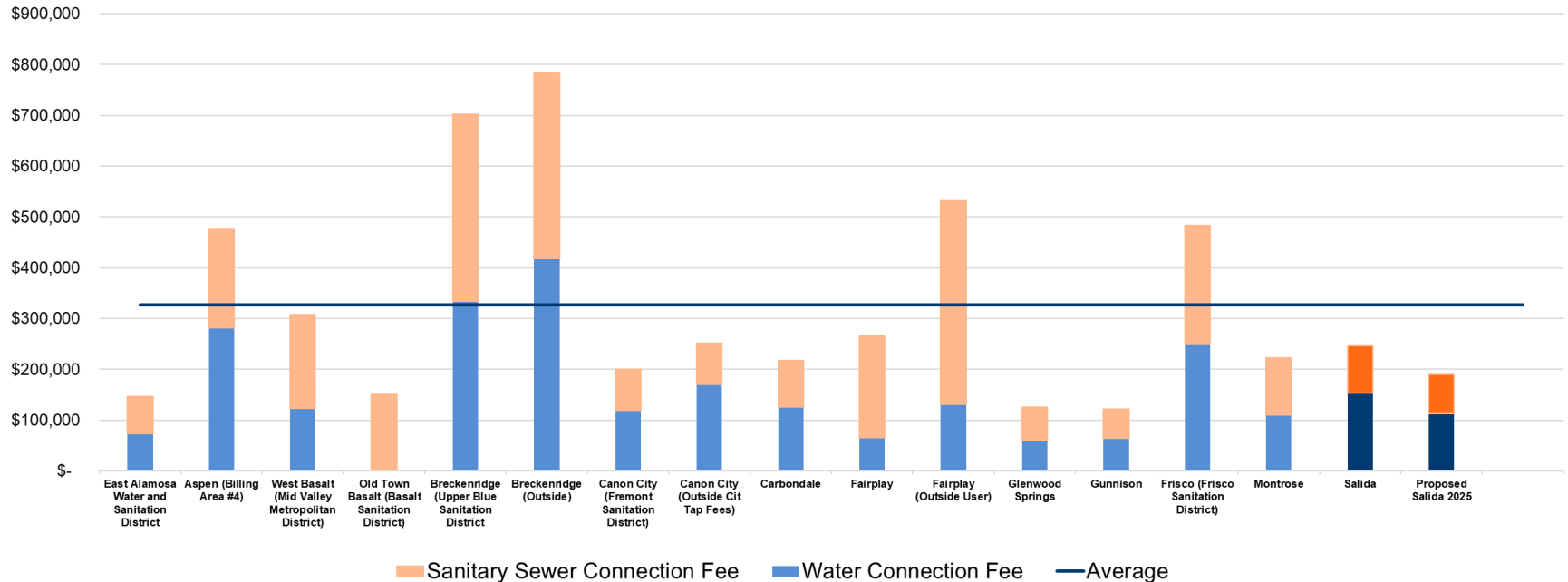
# Fee Comparison – Single-Family Home

2024 Sewer System Development Fees for a Single Family Home



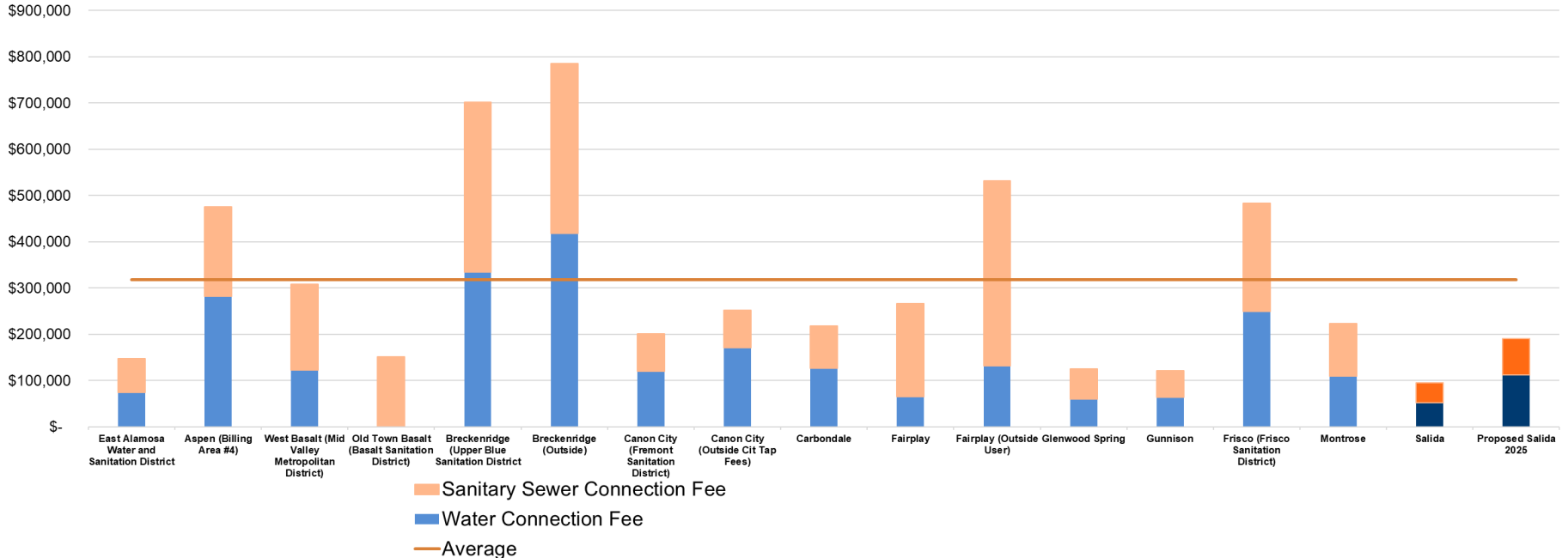
# Fee Comparison – Market Rate Condos

2024 Sewer System Development Fees for a 24-unit Market Rate Condo Building



# Fee Comparison - Market Rate Apartments

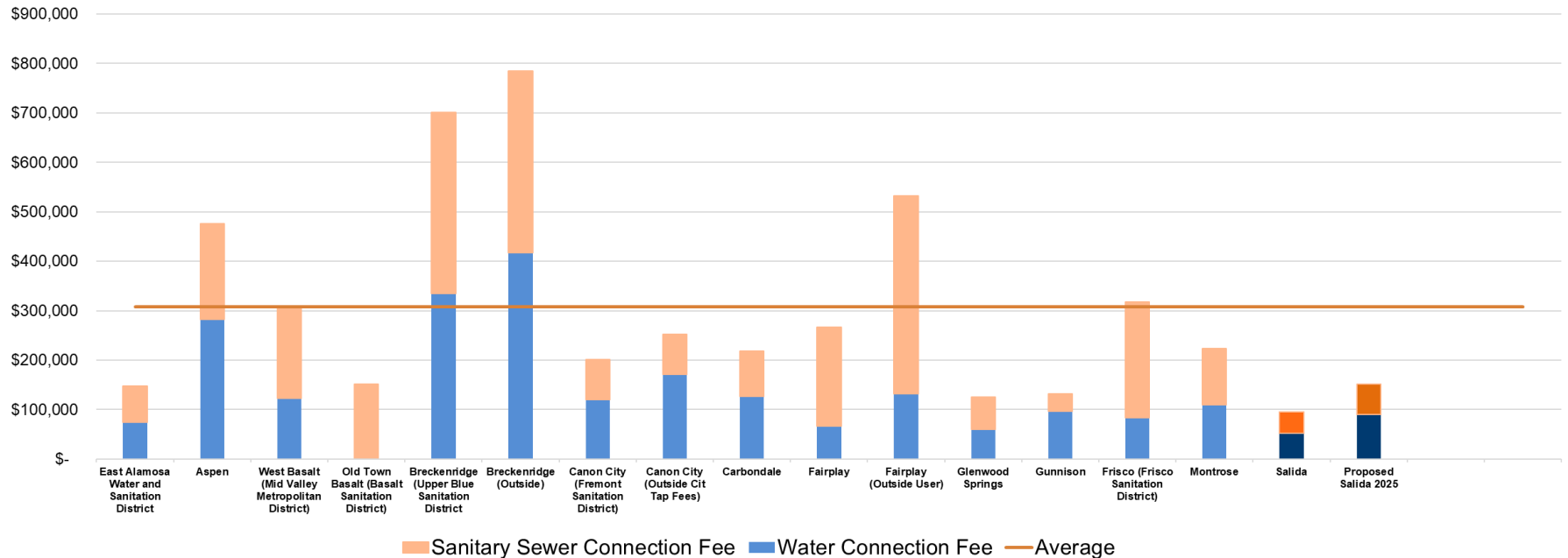
2024 Sewer System Development Fees for a 24-unit Market Rate Apartment Building





# Fee Comparison – Affordable Apartments

2024 Sewer System Development Fees for a 24-unit Affordable Apartment Building





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# Water and Sewer Rate Study

# Assumptions & Other Factors

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- Fund & Cash balance requirements
  - ✓ Minimum Working Capital: **Six** Months of Operations (excluding depreciation) + **One-Year** of Debt Service
- Funds all capital projects per the Capital Improvement Plan (CIP)
- Growth follows SDF Study
- Assumes all expenses occur in their budgeted year

Assumption or Variable	Annual Amount
Other Revenue Growth	2.0%
Investment Earnings	1.0% - 2.0%
Expenses, Operations	2.0% - 3.0%
Expenses, Capital Projects	4.4%

# Goals for the Utility Rate Study

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- Fund Large Capital Projects
  - ✓ Cash vs. Bonding
  - ✓ Connection Fees vs. User Rates
- Restructure Rates
  - ✓ Fixed and Variable Rates
  - ✓ Conservation Rates for Water
- Maintain Fund Stability

# Capital Projects – Next 10 Years

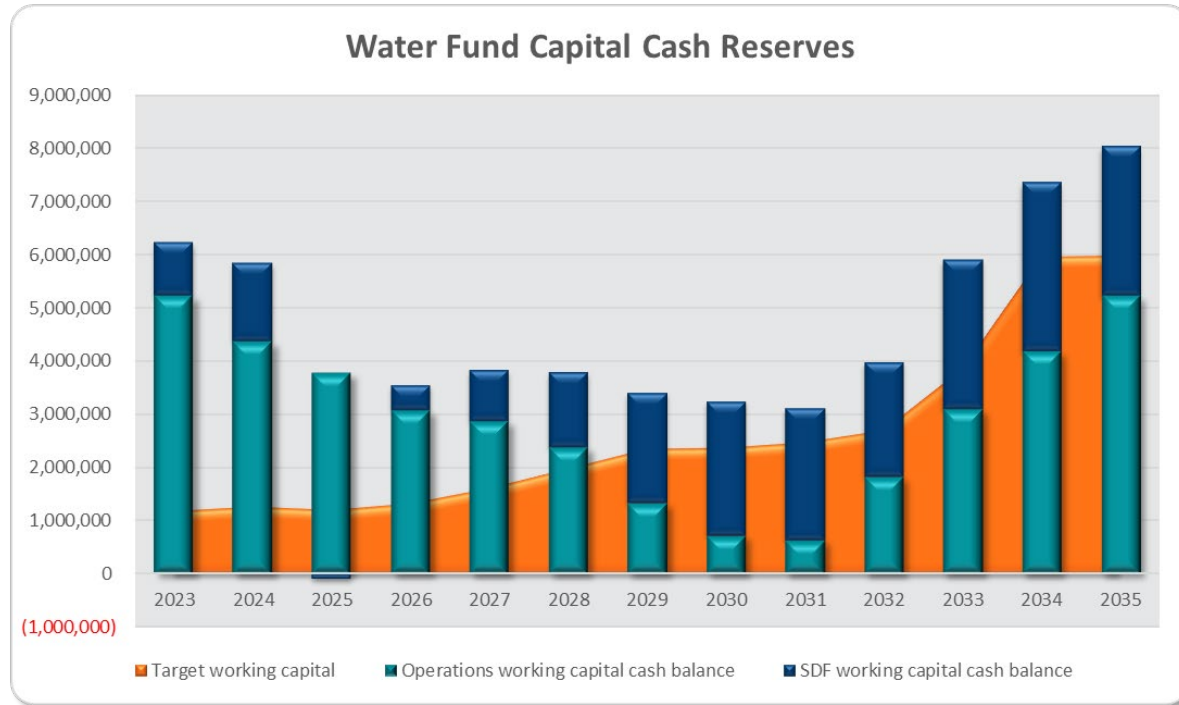
Project	Water	Sewer
Capital Equipment	\$2,850,000	\$3,465,000
Infrastructure Upgrades & Replacements	5,800,000	4,800,000
Meter, Hydrant & Valve Replacements	1,660,000	
News Water Pipelines – Base & High Zones	6,400,000	
New Storage Tanks – Mesa & Airport	7,000,000	
Harrington Ditch Pipeline Project	4,670,000	
Surface Water Treatment Plant Replacement	45,000,000	
Highway 50 Sewer Replacement Project		14,600,000
Wastewater Biosolids Treatment Improvements		3,580,000
Other Projects	300,000	550,000
<b>Total (Uninflated)</b>	<b>\$73,680,000</b>	<b>\$26,995,000</b>

# Capital Projects – Next 10 Years

Proposed Bonding by Fund			
Year	Water Fund	Sewer Fund	Total
2026	1,600,000	7,600,000	9,200,000
2027	4,000,000	9,000,000	13,000,000
2028	8,000,000	-	8,000,000
2029	5,500,000	-	5,500,000
2031	1,500,000	-	1,500,000
2032	3,500,000	-	3,500,000
2033	22,500,000	2,200,000	24,700,000
2034	40,500,000	-	40,500,000
<b>Total</b>	<b>87,100,000</b>	<b>18,800,000</b>	<b>105,900,000</b>

- Highway 50 Sewer Replacement Project
  - ✓ \$16.6M over 2026 & 2027
  - ✓ Split between City and Poncha Springs
  - ✓ Paid with SDF's
- Surface WTP Replacement
  - ✓ \$63M over 2033 & 2034
  - ✓ Paid with combination of SDF's and User Rates

# Water Fund Projected Balance



## Considerations

- ✓ **7%** annual rate increases through 2032
- ✓ **30%** increases for 2033 & 2034
  - Pay for Surface Water Treatment Plant
- ✓ Includes both system development fees & user charges



# Current Water Rate Structure

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- Fixed Charges
  - ✓ Existing structure includes 2,000 gallon minimum
  - ✓ Meter and base charges pay for 95% of budgeted fixed costs
- Consumption Rates
  - ✓ 2 tier structure over 2,000 gallon minimum
  - ✓ Same for all customer types

# Conservation Rates

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## Recommended Because...

- ✓ Delays capacity needs & allows for more growth without additional infrastructure
- ✓ Keeps more water in the river



- ✓ Resiliency during drought
- ✓ Minimum stream flows
- ✓ Availability of future water rights
- ✓ Environmental best practice

# Proposed Fixed Monthly Charges

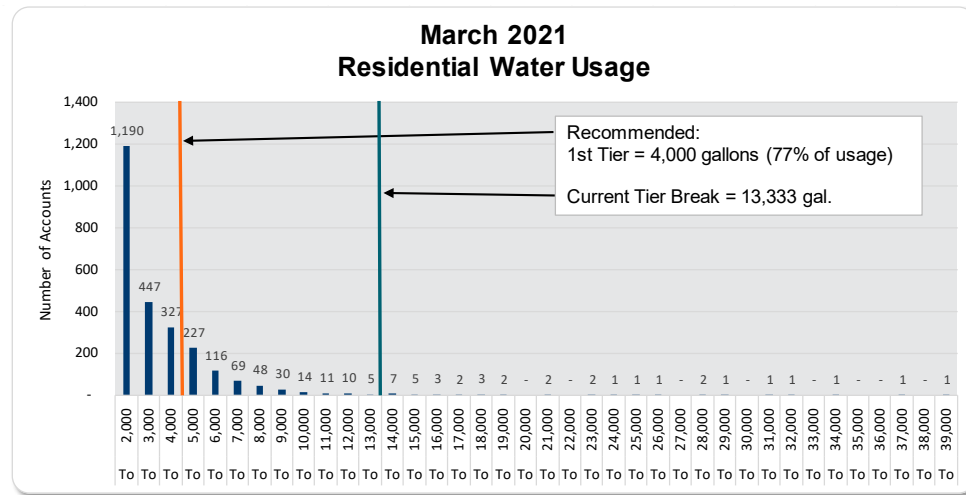
OPTION #1 (Recommended): Conservation Rates & Fixed Rates Cover 100% of Fixed Costs					
RATE STRUCTURE OPTIONS	Number of Meters	Max Flow (gpm)	Equivalent Ratio	Monthly Charge	Annual Revenues
1 <b>Fixed Rate</b>					
2 5/8 inch & 3/4 inch	2,880	20	1.0	\$ 26.00	\$ 898,560
3 ADU Only	18	10	0.5	13.00	2,808
4 1.0 Inch	103	50	2.5	65.00	80,340
5 1.5 Inch	24	100	5.0	130.00	37,440
6 2.0 Inch	23	160	8.0	208.00	57,408
7 2.0 Inch - Compound	14	160	8.0	208.00	34,944
8 3.0 Inch	4	320	16.0	416.00	19,968
9 3.0 Inch - Compound	3	350	17.5	455.00	16,380
10 4.0 Inch	5	500	25.0	650.00	39,000
11 6.0 Inch	1	1,600	80.0	2,080.00	24,960
12 <b>TOTALS</b>	<b>3,075</b>				<b>\$ 1,211,808</b>
13 <b>100% TOTAL FIXED AND METER COSTS - WATER FUND</b>					<b>\$ 1,186,218</b>

## Simplified Structure

- Excludes 2,000 gal. minimum
- Eliminates need for Maintenance & Demand Fees
- Covers 100% of Fixed Costs

# Usage Rate Design – Residential Customers

- Winter Water Usage
  - ✓ Considered “essential” water usage
  - ✓ Around 80% in 1<sup>st</sup> tier
    - 4,000 gallons
  - ✓ Most affordable

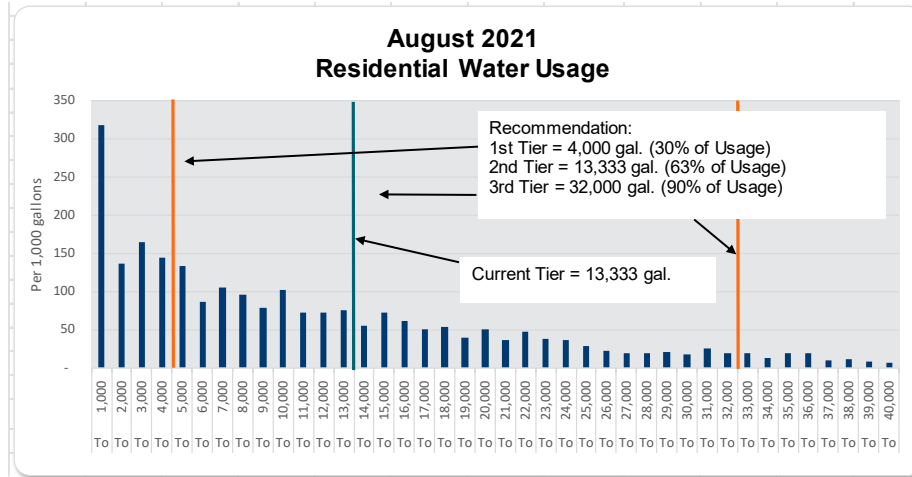


0	TO	4,000	=	1,964	Accounts	OR	77.3%
4,000	TO	9,000	=	490	Accounts	OR	96.5%
9,000	TO	14,000	=	47	Accounts	OR	98.4%
14,000	TO	19,000	=	15	Accounts	OR	99.0%
19,000	TO	24,000	=	5	Accounts	OR	99.2%
24,000	TO	29,000	=	5	Accounts	OR	99.4%
29,000	TO	34,000	=	3	Accounts	OR	99.5%
34,000	TO	39,000	=	2	Accounts	OR	99.6%
OVER		39,000	=	11	Accounts	OR	99.6%

Median Usage is 5,750 Gallons / Month

Average Usage is 3,543 gallons / Month

# Usage Rate Design – Residential Customers



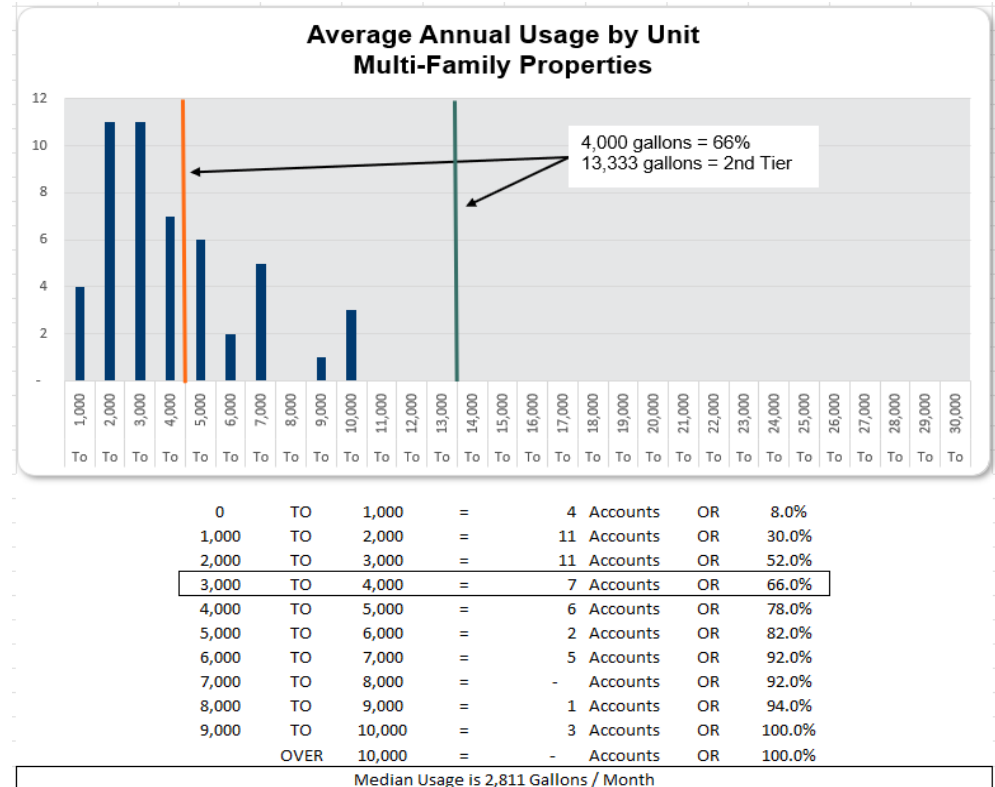
0	TO	4,000	=	763 Accounts	OR	30.0%
4,000	TO	9,000	=	501 Accounts	OR	49.7%
9,000	TO	14,000	=	380 Accounts	OR	64.7%
14,000	TO	19,000	=	279 Accounts	OR	75.6%
19,000	TO	24,000	=	209 Accounts	OR	83.9%
24,000	TO	29,000	=	111 Accounts	OR	88.2%
29,000	TO	34,000	=	94 Accounts	OR	91.9%
34,000	TO	39,000	=	69 Accounts	OR	94.6%
OVER		39,000	=	129 Accounts	OR	94.9%

Average Usage is 13,717 Gallons / Month

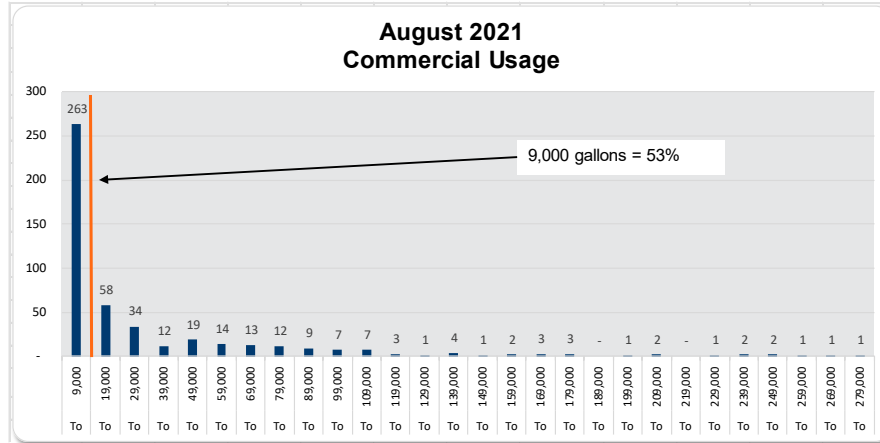
- Summer Water Usage
  - ✓ Includes irrigation and other outdoor use
  - ✓ Current tier of 13,333 = 63%
    - OK for 2<sup>nd</sup> tier
  - ✓ Highest tier at 90% of summer usage
    - 3<sup>rd</sup> tier at 32,000 gallons

# Usage Rate Design – Multi-Family Customers

- Average Annual Usage
  - ✓ Tiers on a per-unit basis
  - ✓ Same tiering as Residential



# Usage Rate Design – Commercial Customers



- Annual Usage
  - ✓ Usage more stable year-round
  - ✓ Only two tiers recommended
  - ✓ 1<sup>st</sup> tier at 9,000 gallons or 50%
    - Protects small businesses

0	TO	9,000	=	263	Accounts	OR	53.5%
9,000	TO	39,000	=	104	Accounts	OR	74.6%
39,000	TO	69,000	=	46	Accounts	OR	84.0%
69,000	TO	99,000	=	28	Accounts	OR	89.6%
99,000	TO	129,000	=	11	Accounts	OR	88.2%
129,000	TO	159,000	=	7	Accounts	OR	93.3%
159,000	TO	189,000	=	6	Accounts	OR	94.5%
189,000	TO	219,000	=	3	Accounts	OR	95.1%
219,000	TO	249,000	=	5	Accounts	OR	96.1%
249,000	TO	279,000	=	3	Accounts	OR	96.7%
OVER		279,000	=	16	Accounts	OR	100.0%

Median Usage is 5,958 Gallons / Month

Average Usage is 45,150 Gallons / Month

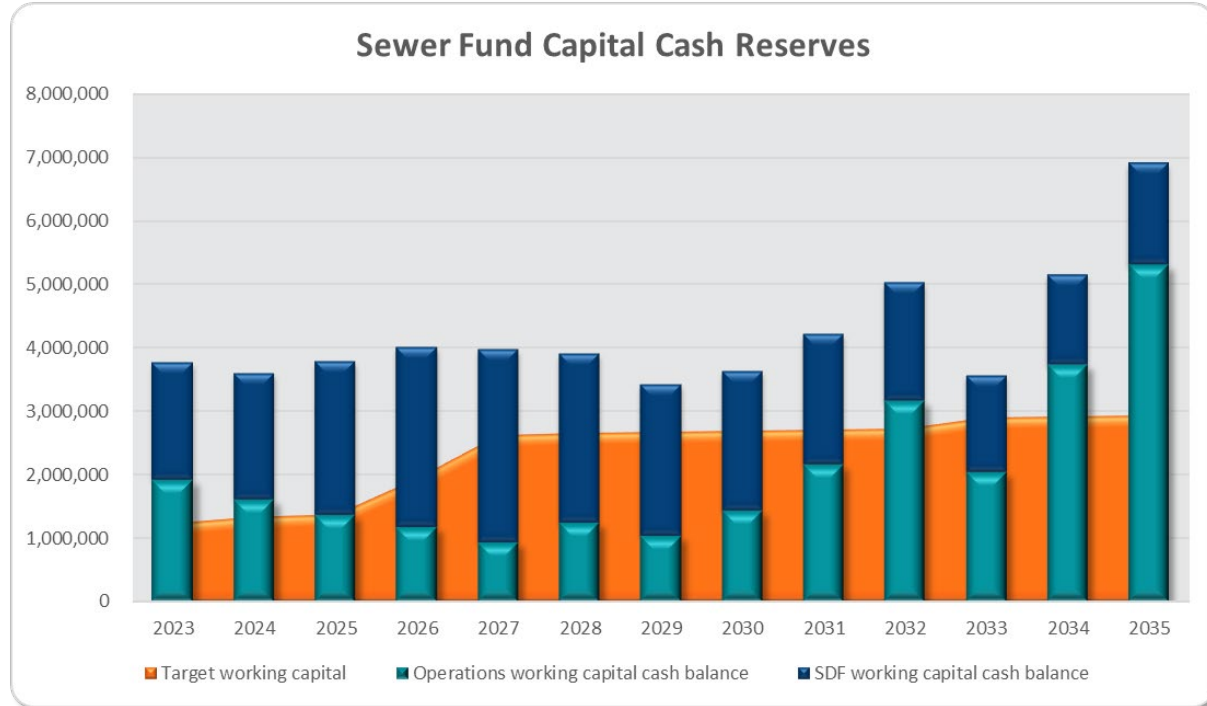
# Proposed 2025 Water Usage Rates

- Promotes Conservation
  - ✓ 1<sup>st</sup> 2 tiers lower than current
  - ✓ Shifts burden to higher water users
  - ✓ Keeps essential water usage affordable
- Meets revenue requirements for fund stability

OPTION #1 (Recommended): Conservation Rates & Fixed Rates Cover 100% of Fixed Costs							Annual Revenues
Consumption Charge		Proposed Tiers (1,000 Gallons)		Proposed Rates			
1	<b>Residential</b>	Tier 1	-	to	4,000	\$ 1.73	\$ 148,787
2		Tier 2	4,000	to	13,333	2.16	159,073
3		Tier 3	13,333	to	32,000	2.70	119,936
4		Tier 4		Over	32,000	3.38	60,130
5	<b>Total Residential Revenues</b>						<b>\$ 487,927</b>
6	<b>Multi-Family (Per Unit Basis)</b>	Tier 1	-	to	4,000	\$ 1.73	\$ 9,309
7		Tier 2	4,000	to	13,333	2.16	4,465
8		Tier 3	13,333	to	32,000	2.70	1,283
9		Tier 4		Over	32,000	3.38	-
10							
11	<b>Total Multi-Family Revenues</b>						<b>\$ 15,056</b>
12	<b>Commercial</b>	Tier 1	-	to	9,000	\$ 1.73	\$ 46,850
13		Tier 2		Over	9,000	2.16	283,716
14	<b>Total Commercial Revenues</b>						<b>\$ 330,566</b>



# Sewer Fund Projected Balance



## Considerations

- ✓ **7%** annual rate increases
- ✓ **Highway 50** project debt paid with City and Poncha Springs SDF Fees

# Current Sewer Rate Structure

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- Fixed Charges
  - ✓ Existing structure includes 2,000 gallon minimum for Residential
  - ✓ Commercial fixed cost based on meter size
  - ✓ Meter and base charges pay for +100% of budgeted fixed costs
- Consumption Rates
  - ✓ Different rates by customer type
    - Residential customers not charged for first 2,000 gallons (included in fixed charge)

# Proposed Sewer Rates

PROPOSED: 2024 Sewer Rate Structure Options		Annual Revenues
Base Charge - Excludes Minimum Consumption		
	Proposed Rate	
1 All Users charged per meter	\$ 27.85	\$ 1,301,375
2 ADU's	13.93	501
3 Sewer Only	38.35	95,708
Consumption Charge		
4 All Users	3.50	934,551
5 TOTAL PROJECTED ANNUAL REVENUES		\$ 2,331,634

## Simplified Rate Structure

- Base Charge excludes 2,000 gallons minimum usage
- All users charged the same base charge regardless of meter size or number of units
- Consumption charge the same for all customer types

# User Impacts - Residential

Type	RESIDENTIAL ACCOUNTS				
	Market Rate Apartment	Low	Median	High	Poncha Springs
Account Number		25% Quartile	50% Quartile	75% Quartile	50% Quartile
Account Name	Per Unit 3-Unit Bldg				
Sample 2021 Usage (Incl. 1st 2,000 Gal.)	3,000	6,000	25,000	40,000	-
Winter Average (Incl. 1st 2,000 Gal.)	1,000	2,000	2,250	3,750	2,100
Meter Size	5/8"	5/8"	5/8"	5/8"	5/8"
Existing 2024 Rates and Structure					
Total Water	\$ 29.73	\$ 35.40	\$ 78.66	\$ 116.46	\$ -
Total Sewer	27.85	27.85	28.31	31.07	28.03
Total Water & Sewer	\$ 57.58	\$ 63.25	\$ 106.97	\$ 147.53	\$ 28.03
2025 OPTION #1 (Recommended): Conservation Rates & Fixed Rates Cover 100% of Fixed Costs					
Total Water	\$ 13.86	\$ 37.24	\$ 84.58	\$ 130.52	
Total Sewer	12.78	34.85	35.73	40.98	35.20
Total Water & Sewer	\$ 26.64	\$ 72.09	\$ 120.31	\$ 171.50	\$ 35.20
\$ Increase/(Decrease)	\$ (30.94)	\$ 8.84	\$ 13.34	\$ 23.97	\$ 7.17

# User Impacts - Commercial

Type	OTHER ACCOUNTS					
	Low Income Apartment	Low Commercial	Median Commercial	High Commercial	Very High Commercial	Poncha Springs
Account Number		25% Quartile	50% Quartile	75% Quartile	100% Quartile	50% Quartile
Account Name	Per Unit 8-Unit Bldg	Downtown Retail	Salida Steam Plant	Big Box Store	Chaffee County Court House	
Sample 2021 Usage (Incl. 1st 2,000 Gal.)	5,500	4,000	22,000	173,000	793,000	-
Winter Average (Incl. 1st 2,000 Gal.)	5,500	4,000	22,000	173,000	793,000	2,600
Meter Size	1.0"	3/4"	1.5"	3.0"	4.0"	3/4"
Existing 2024 Rates and Structure						
Total Water	\$ 12.68	\$ 31.43	\$ 91.56	\$ 527.19	\$ 2,165.98	\$ -
Total Sewer	23.79	42.49	135.12	704.10	2,845.35	37.72
Total Water & Sewer	\$ 36.47	\$ 73.92	\$ 226.68	\$ 1,231.29	\$ 5,011.33	\$ 37.72
2025 OPTION #1 (Recommended): Conservation Rates & Fixed Rates Cover 100% of Fixed Costs						
Total Water	\$ 18.29	\$ 32.92	\$ 173.65	\$ 785.81	\$ 2,359.01	\$ -
Total Sewer	22.73	41.85	104.85	633.35	2,803.35	36.95
Total Water & Sewer	\$ 41.02	\$ 74.77	\$ 278.50	\$ 1,419.16	\$ 5,162.36	\$ 36.95
\$ Increase/(Decrease)	\$ 4.55	\$ 0.85	\$ 51.82	\$ 187.87	\$ 151.03	\$ (0.77)

# Water and Sewer Summary

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- **Water**

- ✓ Water rate restructure in 2025
- ✓ **7%** annual rate increases 2026 through 2032
- ✓ Preliminary **30%** increases for 2033 & 2034
  - Pay for Surface Water Treatment Plant
  - Recommend rate study update once capital costs known

- **Sewer**

- ✓ Sewer rate restructure and simplification in 2025
- ✓ **7%** annual rate increases 2026 through 2032



# Next Steps

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- Discuss and feedback on rate scenarios
- Adopt new 2025 user rates at Council meeting



# Important Disclosures

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