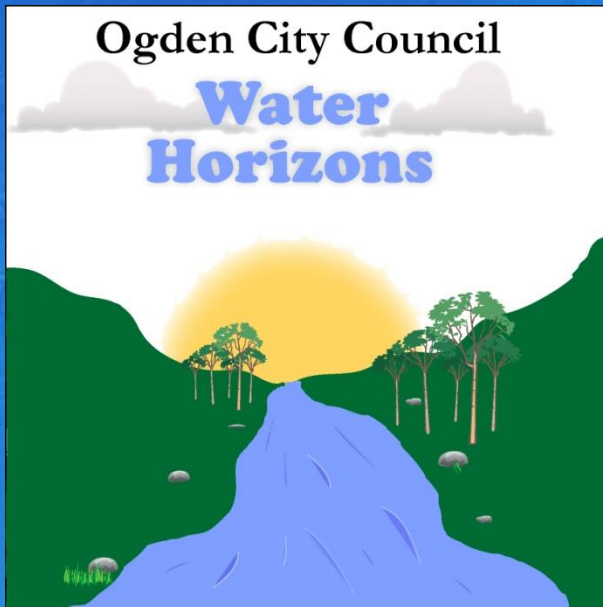


Ogden City Council

Water Horizons Town Meeting



October 7, 2008

**Ogden City
Municipal Building**





What are the purposes of our presentation this evening?

- To review with the public the rate increases resulting from the rate study.
- To provide a general description of the water, sanitary sewer and storm projects that have and will be funded as a result of this effort.
- To demonstrate the impact that the adopted rates would have upon bills.



What led to the study?

- Utility systems in need of significant repair and upgrade.
- Funds to pay for the cost of producing and delivering water and sewer services are outpacing revenues.
- The Council determined that a professional and comprehensive study of the current water, storm and sanitary sewer fees was needed.



What led to the study?

- Proposals were sought from consultants that do such studies.
- The Council chose Lewis Young Robertson & Burningham to conduct the study.
- A very important part of the study was gathering input from the public.



What opportunities for public input have occurred?

- A stakeholders group composed of residents, businesses and others was created. The group met three times to review and provide input regarding the proposed rate structures and increases.
- Two open public town meetings were held. The first was held in August 2007 at the Union Station and the second held at City Hall in November 2007.



What opportunities for public input have occurred?

- The Council held a public hearing regarding the proposed water, sanitary sewer and storm sewer rate increases on Tuesday, December 18, 2007 in the Council chambers.



Benefits to Ogden residents from the user rate analysis

- Repair and replace aging infrastructure.
- Ongoing financial sufficiency and stability.
- Equitable Rates.
 - Rates by user class are equitable
 - Rates structured to promote conservation
- Consideration from stakeholders, users, and residents.

Background

The background is a solid blue color with a subtle, repeating pattern of water bubbles and droplets. In the bottom right corner, there is a small, semi-transparent image of a glass filled with water and ice cubes.



Goals and Objectives

- Ensure long-term revenue sufficiency for water, sanitary sewer and storm sewer.
- Determine rates that reflect the true cost of service.
- Structure rates to promote conservation.
- Determine funding options for maintenance and upgrades.



Goals and Objectives

- Where possible, utilized resident input
 - Input received from residents includes:
 - Improve water pressure
 - Address taste and smell issues
 - Address storm water flooding issues
 - Keep revenues from each utility within that utility's enterprise fund to be used for system improvements
 - Establish rates that reflect the true cost of service among user classes
 - User rates to promote conservation
 - The expansion of a secondary water system was researched, but found to be not financially feasible.



General Process

1. Financial and Rate Policies

- Policies provided by City Council based upon recommendations by City staff and Stakeholders

2. Establish Revenue Requirement

- Determine amount of revenues that the rates must generate to pay O&M, bond payments, and develop adequate reserves
- Determine scale of capital repair and replacement needed to fix problems with the systems

3. Rate Creation and Cost Assignment

- Assign costs to users according to their demands and impact upon each system

The background of the slide is a solid blue color with a faint, repeating pattern of water bubbles. In the top right corner, there is a close-up image of water being poured from a glass pitcher into a glass. In the bottom right corner, there is a glass filled with water and ice cubes.

Capital Improvement Plans (CIPs)



CIP Process

- Our infrastructure is old, leaking, and needs to be upgraded as soon as possible.
- Employed 6 engineering firms to prepare studies, including cost estimates.
- The cost estimates recommended by engineers were included in the FY2009-2013 capital improvement plan.



Capital Needs

- The Council, Administration and LYRB determined the following for 2008:
 - \$41.5 million in water distribution improvements
 - \$6.5 million in sanitary sewer collection upgrades
 - \$4 million in storm sewer upgrades
- Improvements were funded by bonds issued in 2008.
- Only upgrades being made to water treatment plant address smell and taste in summer months of low water years.



Capital Financing Plan

- In 2008, the City issued water and sewer revenue bonds in the amount of \$49,175,000 and storm sewer bonds in the amount of \$2,393,000.
- Principal and interest will be paid over 30 years
- Bond purchasers require 1.25X debt service coverage covenant.

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Adopted Rate Structure



Water Rate Structure

- Improved Financial Sufficiency and Stability
 - Higher base fee developed to cover greater portion of fixed costs
 - Established ability to generate retained earnings or cash reserves
 - Funding critical repair and replacement program to address water system issues
 - Revised tiers for each user class to promote greater water conservation



Tier Structuring

- Tiers Structured Based Upon Actual Water Usage
 - LYRB tallied monthly bills for City's 26K water accounts.
 - Created curves to show % of bills under a certain historical demand.
 - Increasing costs per tier creates a price incentive to reduce water demands

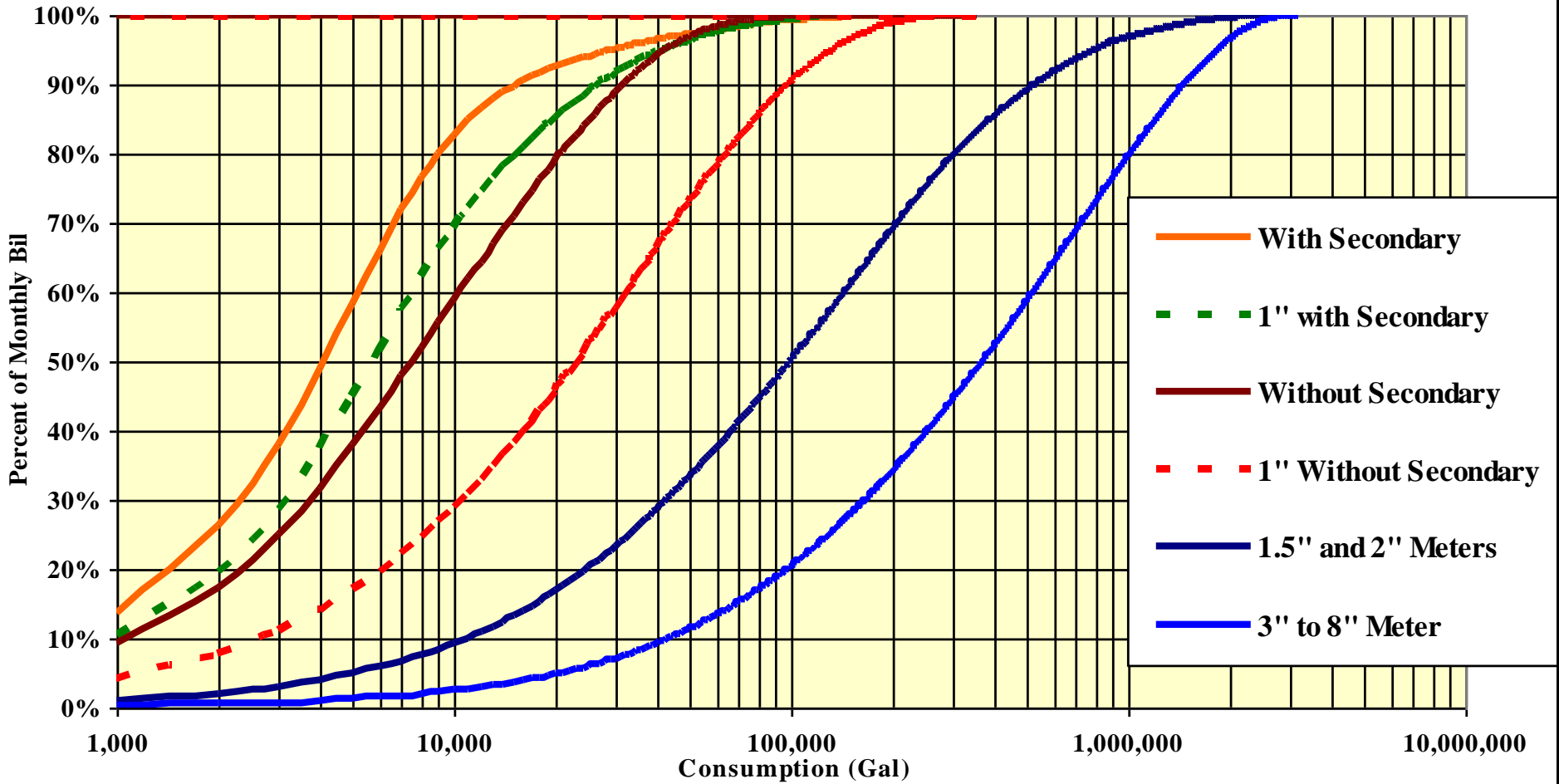


Users with Secondary Water

- Rate Structures Consider Lower Culinary Demands and Peaks for Secondary Users
 - Users irrigating with secondary use culinary for indoor use and must still conserve water
 - Tiers for secondary users are adjusted to reflect reasonable demands for indoor usage
 - Due to the lesser demand on storage, treatment, distribution capacity, cost per gallon for a secondary user is lower than for a culinary-only user

Billing Curves

Ogden City Billing Frequency





Conservation Surcharge

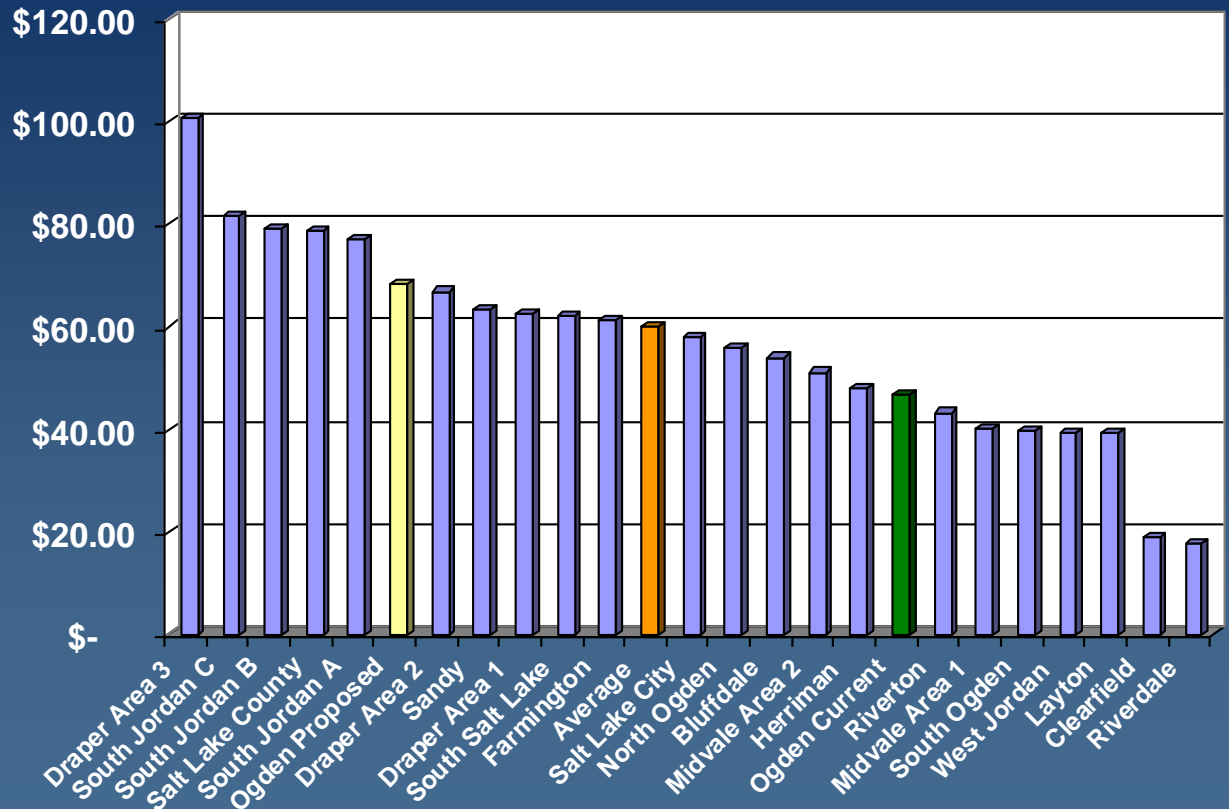
- Promote conservation and discourage high water usage
 - Established use surcharge of \$5 per 1K gallons for highest tier for 5/8, 3/4 and 1-inch users.
 - Top tier captures top 3% to 4% of annual bills according to usage
 - Users paying surcharge are using more than 3 to 4 times the water of an average user

Community Rate Comparison

(Average Use – 30K Gal)



Comparable Summer Water Rates



Impact on 2008 Water Bills in Dollars

MONTHLY DOLLAR CHANGE ON RESIDENTIAL & COMMERCIAL BILLS								
Residential Usage (gals)	5/8" w/o Secondary	5/8" w/ Secondary	3/4" w/o Secondary	3/4" w/ Secondary	1" w/o Secondary	1" w/ Secondary	Commercial Usage (gals)	4" Commercial User
Summer Demands								
15,000	\$ 9.59	\$ 6.84	\$ 7.73	\$ 4.98	\$ 10.75	\$ 8.00	200,000	\$ 111.16
30,000	23.64	N/A	21.78	N/A	15.55	N/A	400,000	177.16
45,000	30.49	N/A	28.63	N/A	11.15	N/A	600,000	243.16
Winter Demands								
3,000	\$ 6.68	\$ 6.08	\$ 4.82	\$ 4.22	\$ 7.84	\$ 7.24	800,000	\$ 309.16
6,000	6.47	4.87	4.61	3.01	7.63	6.03	1,000,000	375.16
12,000	8.51	5.01	6.65	3.15	9.67	6.17	4,000,000	1,365.16

Impact on 2008 Water Bills by Percent

MONTHLY PERCENT CHANGE ON RESIDENTIAL & COMMERCIAL BILLS								
Residential Usage (gals)	5/8" w/o Secondary	5/8" w/ Secondary	3/4" w/o Secondary	3/4" w/ Secondary	1" w/o Secondary	1" w/ Secondary	Commercial Usage (gals)	4" Commercial User
Summer Demands								
15,000	41%	24%	31%	20%	37%	28%	200,000	31%
30,000	33%	N/A	47%	N/A	31%	N/A	400,000	28%
45,000	28%	N/A	41%	N/A	15%	N/A	600,000	27%
Winter Demands								
3,000	90%	82%	52%	46%	60%	55%	800,000	27%
6,000	58%	43%	35%	23%	45%	36%	1,000,000	26%
12,000	45%	21%	32%	15%	39%	25%	4,000,000	25%

A vertical image on the left side of the slide shows water being poured from a glass pitcher into a glass. The water is clear and creates a dynamic splash and stream. The background is a deep blue with a pattern of light blue bubbles and ripples, suggesting water. The overall aesthetic is clean and fresh.


Adopted water rate ordinance

Provided for future rate increases necessary to pay for infrastructure improvements and variable increases tied to inflation index.

The following rate increases are in effect for the next four years.

	2009	2010	2011	2012
Utility Requirements	9%	7%	6%	3%
CPI Inflator	2%	2%	2%	2%
	11%	9%	8%	5%

* Consumer Price Index (CPI) will be established each year based on the CPI from Wells Fargo Bank.



Impact of Proposed Rate Adjustment

- Proposed to remove the \$5 surcharge and top tier price per 1k gallons
- Impact on revenues required for bond coverage is minimal and will not negatively impact the City's utility bond rating