

Utility Rates

Timeline of Events

- May 19 – 1st Meeting with Consultant
- May 19 to August 31 – 6 Meetings between the Consultant and the City
- August 31 – 1st Work Session to Review Rate Study
- September 14 – 2nd Work Session to Review Study
- September 21 – Public Hearing
- September 28 – 3rd Work Session to Review Study

Funding City Services

Municipal Government Services

General Fund

Taxes

- Police
- Fire
- Parks

Taxes/Fees

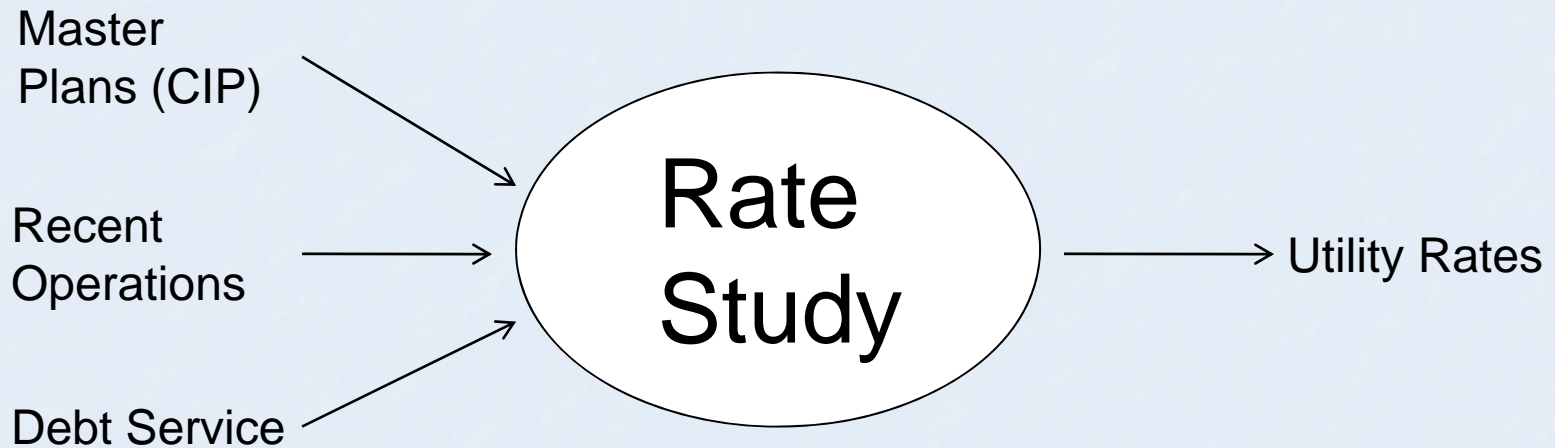
- Streets
- Recreation
- Dispatch

Enterprise Funds

Fees

- Water
- Sewer
- Storm Drain

Components of Rate Study



Rate Recommendations

| | Current Rates | Rate Study Recommendations (2011 Rates) |
|-----------------|---------------|---|
| Culinary Water | \$9.45 | \$10.11 |
| Secondary Water | \$16.20 | \$34.99 |
| Sewer | \$24.86 | \$31.08 |
| Storm Drain | \$3.00 | \$9.75 |
| Total | \$53.51 | \$85.93 |

Total Increase \$32.42
61% Increase in Year 1

Secondary Water Debt

25 Year Repayment

| | Operations | Annual Debt Service | Annual Revenue* | Shortfall |
|------|------------|------------------------|--------------------|-------------|
| 2007 | 760,187 | 318,848 | 175,285 | (903,750) |
| 2008 | 880,608 | 793,588 | 680,637 | (993,559) |
| 2009 | 820,031 | 1,269,316 | 991,627 | (1,097,720) |
| 2010 | 892,699 | 1,534,325 | 1,230,802 | (1,196,222) |
| 2011 | 813,366 | 1,548,625 | 1,255,418 | (1,106,573) |
| 2012 | 854,469 | 1,551,725 | 1,280,526 | (1,125,668) |
| 2013 | 958,096 | 1,544,025 | 1,306,137 | (1,195,984) |

* Assumes 2% Annual Growth

Debt Service Coverage

- ❖ Bond agreements on utility revenue bonds require cities to maintain rates sufficient to maintain 125% coverage of debt service.
- ❖ The City will use culinary water rates and reserves to meet this requirement until secondary water rates are sufficient.

Debt Service Coverage

Example

| | |
|-----------------------------|-----------|
| Revenues | 2,000,000 |
| Less Operating Expenditures | (750,000) |
| Net Revenues | 1,250,000 |
| Debt Service Payments | 1,000,000 |
| Debt Service Ratio | 125% |

TSSD Increase

| Year | Sewer Treatment Charges | |
|------|-------------------------|--------|
| 2008 | 1,333,410 | Actual |
| 2009 | 1,468,508 | Actual |
| 2010 | 1,850,320 | Budget |
| 2011 | 2,349,907 | Budget |

26% Increase for FY 2010

27% Increase for FY 2011











Culinary Water Cap Proj

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------------------|------|------------|---------|---------|---------|---------|---------|
| Replace 1", 2", and 4" Lines | | 1,307,697* | | | | 635,806 | 667,596 |
| 8" Distribution Lines (1350 E 330 N) | | | 157,873 | | | | |
| 8" & 10" Dist Lines (Blackhawk Cir) | | | | 494,803 | | | |
| 8" Distribution Lines (850 E 1200 N) | | | | | 922,055 | | |
| 8" Distribution Lines (1420 N 390 W) | | | | | | 633,246 | |
| 8" Distribution Lines (Cherokee Dr) | | | | | | | 532,450 |
| 12" Dist Lines (2000 W, Gateway Dist) | | | | | | | 457,195 |

* Funded By a 2.7% Loan from Utah Drinking Water Board



PI Capital Projects

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------------------------------|---------|---------|--------|--------|--------|--------|--------|
| Fugal Well (Refurbish) | 275,625 | | | | | | |
| "No Name Spring" Booster Station | | 289,406 | | | | | |
| Joint Replacement | 50,000 | 52,000 | 54,080 | 56,243 | 58,493 | 60,833 | 63,266 |

Sewer Capital Projects

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------------------|---------|---------|---------|---------|---------|---------|-----------|
| South Side Improvement 10" | 499,041 | | | | | | |
| Nathaniel/Loader Diversion | | 57,572 | | | | | |
| 100 West Improvements | | 357,944 | | | | | |
| Garden Drive Improvements | 199,451 | | | | | | |
| 200 South Improvements | | 382,287 | | | | | |
| 1100 North Improvements | | | 149,315 | | | | |
| 1300 West/State Street Upgrade | | | | 133,686 | | | |
| Gateway Improvements | | | | | | | |
| 500 East Improvements | | | | | | 182,499 | |
| 700 S - 13th West to 500 W | | | | | | | 2,031,679 |
| State Street - PG Blvd 200 S | | | | | | | 982,304 |
| 700 W - West Boundary | | | | | | | 284,612 |
| Insituform | 220,000 | 228,800 | 237,952 | 247,470 | 257,369 | 267,664 | 278,370 |



Storm Drain Capital Projects

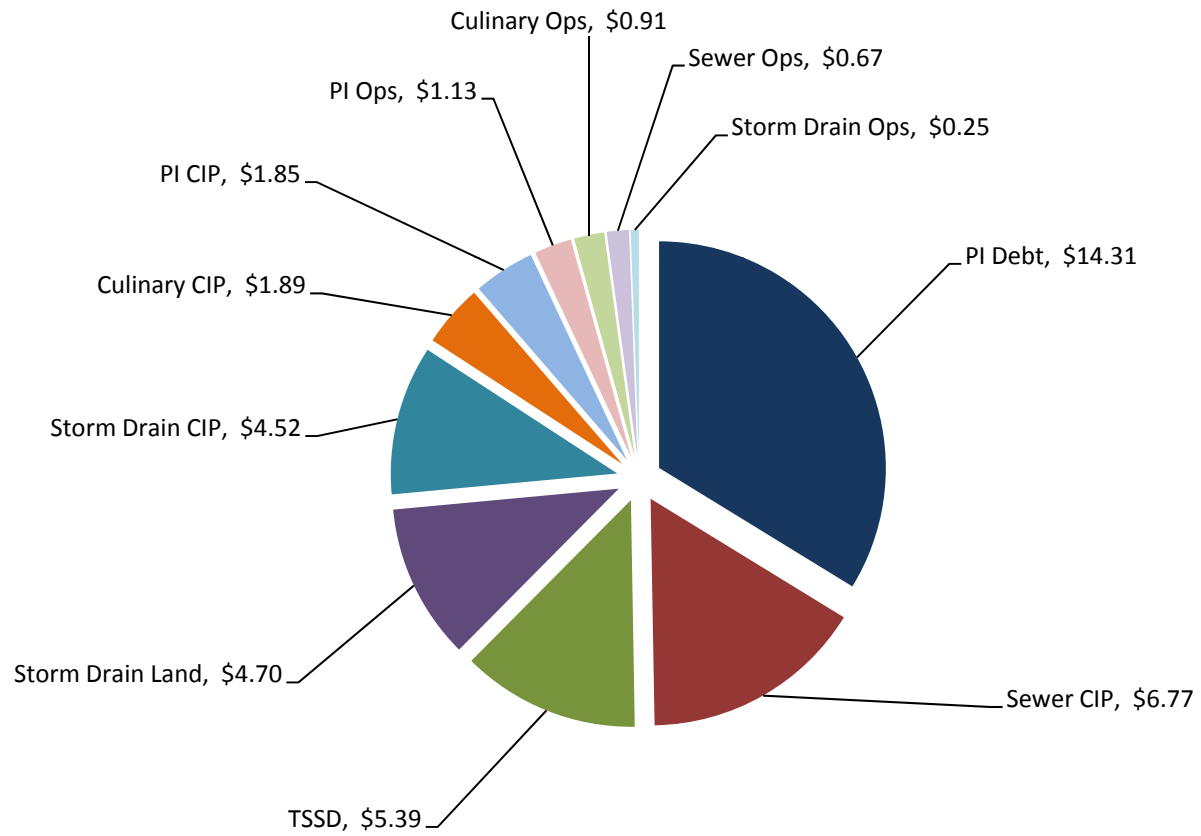
| | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------------------------|---------|-----------|-----------|-----------|-----------|
| Lindon Hollow | 589,933 | | | | |
| Land Purchases | | 1,323,000 | 2,778,300 | 1,458,608 | 1,531,538 |
| Battle Creek and Grove Creek Piping | | 3,528,000 | | | |
| Anderson Park Piping/Detention | | | | 1,173,952 | |
| 400 North Piping/Detention | | | | | 1,659,166 |

Storm Drain Capital Projects

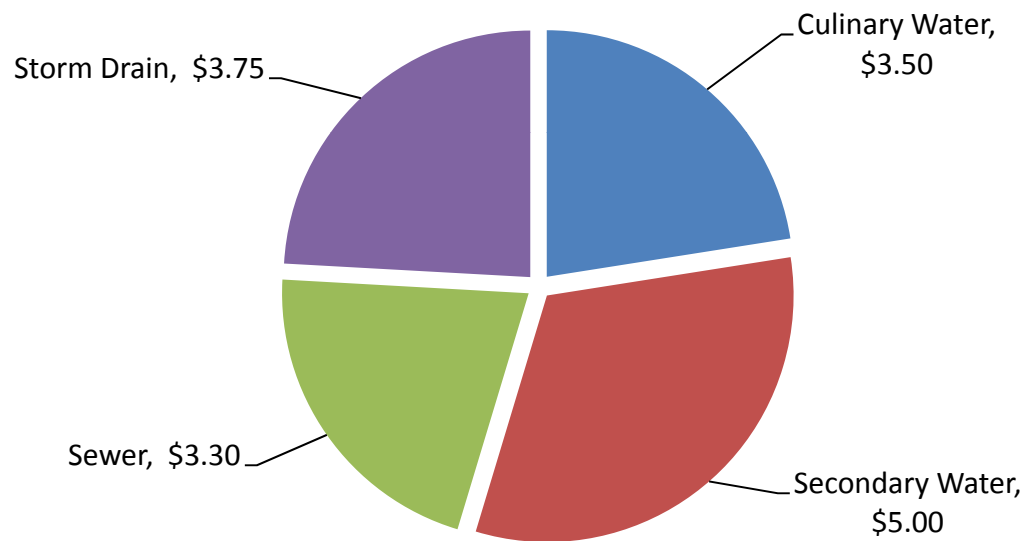
Land Purchases

- Funds will be used to buy land for future detention basins
- Delayed projects may increase flooding risk
- Future land prices likely significantly higher than current land prices

Total Rate Increase \$42.39/mo Over a 4-Yr Period



Proposed 2011 Increase



\$10.55 Increase Effective November 1, 2010

\$5.00 Increase Effective April 1, 2011 for Secondary Water

\$3.30 Sewer Increase Only Partially Offsets TSSD Increase

4 Year Implementation Plan

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|-------------------------------|----------|----------|----------|----------|----------|
| Culinary Water | \$ 9.45 | \$ 12.95 | \$ 13.83 | \$ 14.71 | \$ 15.60 |
| Secondary Water | \$ 16.20 | \$ 21.20 | \$ 24.18 | \$ 27.16 | \$ 30.14 |
| Sewer | \$ 24.86 | \$ 28.16 | \$ 31.34 | \$ 34.52 | \$ 37.69 |
| Storm Drain | \$ 3.00 | \$ 6.75 | \$ 8.67 | \$ 10.59 | \$ 12.47 |
| Total | \$ 53.51 | \$ 69.06 | \$ 78.02 | \$ 86.98 | \$ 95.90 |
| Increase | | \$ 15.55 | \$ 8.96 | \$ 8.96 | \$ 8.92 |
| TSSD Increases (Since '09) | \$ 4.97 | \$ 8.27 | \$ 10.36 | \$ 10.36 | \$ 10.36 |

Alternative Funding Options

- Grants
- Impact Fees

Comparative Rates

| | 2011 | 2011 | 2011 | 2011 | 2011 | 2011 | 2010 |
|--------------------|--------------|---------------|---------------|--------------|------------------|----------------|----------------|
| | Cedar Hills | Lindon | American Fork | Spanish Fork | Saratoga Springs | Pleasant Grove | Pleasant Grove |
| Water | 6.00 | 24.19 | 18.00 | 19.52 | 24.20 | 12.95 | 9.45 |
| Sewer | 36.30 | 27.63 | 42.55 | 22.40 | 37.83 | 28.16 | 24.86 |
| Garbage | 10.92 | 9.58 | 10.00 | 8.75 | 11.02 | 10.61 | 10.61 |
| Secondary Water | 28.23 | 10.00 | 17.31 | 27.05 | 14.47 | 21.20 | 16.20 |
| Storm Drain | 6.25 | 4.50 | 6.00 | 5.00 | 2.00 | 6.75 | 3.00 |
| Paramedic Fee | 1.95 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CUP | 4.95 | 0.00 | 6.50 | 0.00 | 0.00 | 0.00 | 0.00 |
| Street Lighting | 0.00 | 0.00 | 0.00 | 0.00 | 2.83 | 0.00 | 0.00 |
| Total | 94.60 | 75.90 | 100.36 | 82.72 | 92.35 | 79.67 | 64.12 |
| \$ Variance | 14.93 | (3.77) | 20.69 | 3.05 | 12.68 | 0.00 | (15.55) |

Relief for Low-Income Residents

- Possible Discount Based on Income
- Residents Qualify Based on Property Tax Abatement

| Bond Issue | Fund | Purpose | Par Amount | Annual Debt Service | Maturity Date |
|----------------------------------|-------------|-------------------------------|------------|---------------------|---------------|
| Current Debt | | | | | |
| Series 2001 Sewer Revenue Bonds | Sewer | Sewer Infrastructure | 553,000 | 68,000 | 2/1/2012 |
| Series 2007 Sales Tax Bond | Sewer | Sewer Infrastructure | 848,400 | 64,200 | 12/1/2022 |
| Series 2007 Sales Tax Bond | Storm Drain | Storm Drain Infrastructure | 424,200 | 32,100 | 12/1/2022 |
| Series 1994 Water Revenue Bonds | Water | Culinary Water Infrastructure | 449,000 | 23,500 | 12/1/2016 |
| Series 2002A Water Revenue Bonds | Water | Culinary Water Infrastructure | 150,000 | 9,000 | 12/1/2018 |
| Series 2002B Water Revenue Bonds | Water | Culinary Water Infrastructure | 1,700,000 | 115,000 | 12/1/2022 |
| Series 2007 Sales Tax Bond | Water | Culinary Water Infrastructure | 848,400 | 64,200 | 12/1/2022 |
| Series 2004 Water Revenue Bonds | Water | Culinary Water Infrastructure | 1,520,000 | 90,000 | 12/1/2025 |
| Series 2006 Water Revenue Bonds | Water | Culinary Water Infrastructure | 350,000 | 20,000 | 12/1/2026 |
| Series 2006B Water Revenue Bonds | Water | Pressurized Irrigation System | 11,540,000 | 800,000 | 12/1/2031 |
| Series 2008 Water Revenue Bonds | Water | Pressurized Irrigation System | 10,725,000 | 750,000 | 12/1/2033 |

| | | | | | |
|-------------------------|-------------|---|-----------|----------------|------|
| Future Debt | | | | | |
| Canal Enclosure Payment | Water | Murdock Canal Enclosure | | \$60,000 (Est) | 2035 |
| 2011 Storm Drain Bonds | Storm Drain | Battle Creek/Grove Creek Lindon Hollow, Land Purchase | 7,000,000 | 455,000 | 2036 |
| 2014 Storm Drain Bonds | Storm Drain | Anderson Park, 400 North Land Purchase | 4,520,000 | 295,000 | 2039 |
| 2017 Sewer Bonds | Sewer | 700 South, PG Blvd 200 So | 3,576,965 | 235,000 | 2042 |
| 2010 Water Bonds | Water | Replace Lead Joints Upsize Water Lines | 1,000,000 | 60,000 | 2030 |