



FORT COLLINS • LOVELAND  
**WATER DISTRICT**

# 2018 - RATE STUDY REPORT

# District service area



Formed in 1961, the District serves 17,000 customer accounts.

More than 45,000 people rely on the District for their water supply.

Our 60-square-mile service area includes portions of these communities:

- Fort Collins
- Loveland
- Timnath
- Windsor
- Larimer County



# District water supply

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Water sources include:

- North Poudre Irrigation Company
- Colorado-Big Thompson (C-BT) Project
- Josh Ames Divide Canal and Reservoir Company
- Windsor Reservoir Company

Today the District typically treats and delivers 10,000 acre-feet of water to its customers in an average year, but up to 13,000 acre-feet in a dry year.



Fossil Creek Reservoir



# Securing our water future

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The population of the Northern Front Range will double by 2050.

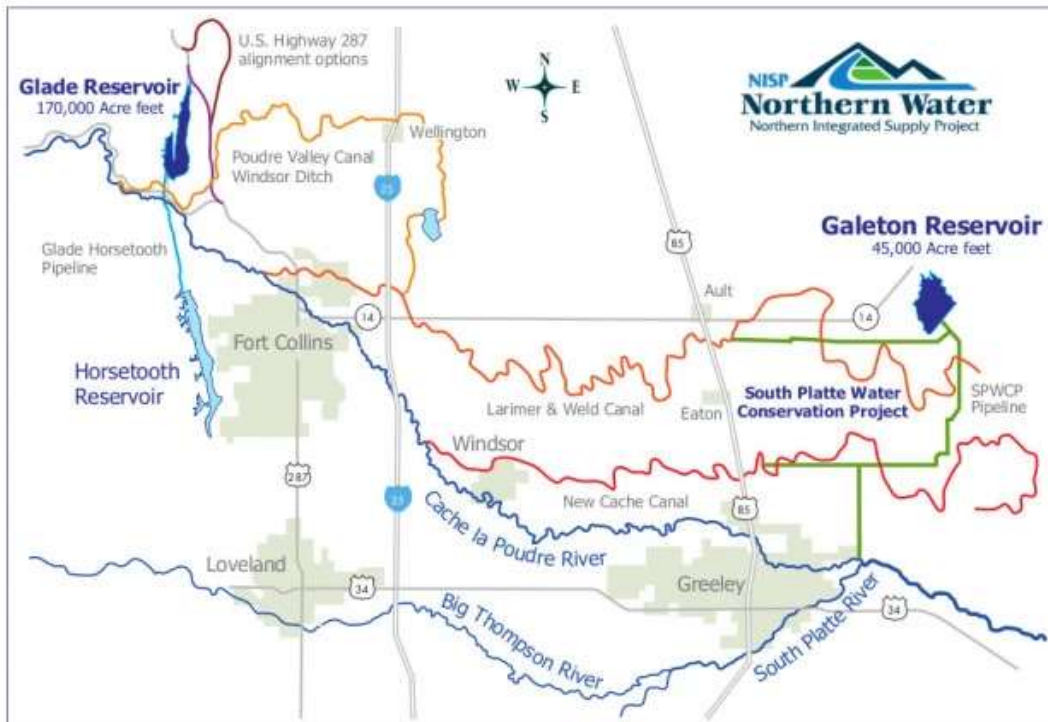
The District has identified 14 major projects needed to meet that demand:

- Replacing aging infrastructure
- Building a regional water treatment facility
- Partnering on the Northern Integrated Supply Plan

Reinvesting in our water system builds flexibility and resiliency.

Increasing water supplies ensures the communities we serve have a reliable water supply now and in the future.





The District is a partner in NISP, significantly increasing our water supply

15 NISP participants will share in this new regional water supply.

- Central Weld County Water District
- Dacono
- Eaton
- Erie
- Evans
- **Fort Collins-Loveland Water District**
- Fort Lupton
- Fort Morgan
- Frederick
- Lafayette
- Left Hand Water District
- Morgan County Quality Water District
- Severance
- Windsor



To ensure we can invest in a secure water future, the District studied our financial health.

Findings included:

We must make significant Capital Improvement Plan expenditures through 2030.

Financing the Capital Improvement Plan can be accomplished with small, consistent rate and tap fee increases.

## Projected Capital Improvement Expenditures 2018 – 2030 (\$ millions)

Type of Expenditure	Uninflated	Inflated
<b>Growth-Related CIP Expenditures</b>		
Raw Water	\$77.7	\$96.1
Source of Supply	67.1	80.3
Treatment	59.9	77.6
Pumps	0.1	0.1
Transmission Mains	28.4	36.8
Distribution Mains	0.0	0.0
Meters	0.0	0.0
Total Growth-Related CIP	233.2	290.9
<b>Non-Growth CIP Expenditures</b>		
	25.7	29.9
<b>Total CIP Expenditures</b>	<b>\$258.8</b>	<b>\$320.8</b>

Source: FCLWD Water Financial Planning and Rate Study Report, March 16, 2018

# Financial Plan CIP financing strategy – Reserves, bonds, tap fees and rates

## Summary of Financial Plan 2018 – 2030

Metric	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Overall Rate Revenue Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Cumulative Revenue Increase	4.0%	8.2%	12.5%	17.0%	21.7%	26.5%	31.6%	36.9%	42.3%	48.0%	53.9%	60.1%	66.5%
Proposed Bond Issues (\$ Millions)			\$40.0		\$40.0		\$35.0		\$35.0		\$35.0		
Ending Cash (\$ Millions)	\$33.7	\$25.1	\$47.1	\$35.6	\$60.9	\$53.3	\$79.1	\$50.4	\$67.2	\$57.4	\$65.5	\$34.0	\$28.5
<b>Debt Service Coverage Ratio</b>													
Including Tap Fees	7.73	7.99	3.52	3.59	2.40	2.48	2.22	2.28	1.86	1.93	1.65	2.07	2.16
<i>Target Ratio</i> Including Tap Fees	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Excluding Tap Fees	1.80	1.92	0.89	0.93	0.66	0.70	0.66	0.70	0.59	0.63	0.56	0.73	0.79

Source: FCLWD Water Financial Planning and Rate Study Report, March 16, 2018







Single family residential accounts are currently paying less than the cost to serve them.

Irrigation customers (parks, schools, HOAs) are currently paying less than the cost to serve them.



# Cost of Service Study

Cost of service determines how to recover costs from customers in proportion to their use of the water system.

Some customer classes cause higher peaks in water demand than others. The study identified those customer classes and assigned costs based on their demand needs.

The study found some customer classes were paying more than their cost of service, while others paid less





# Tap fees pay for future water needs

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Tap fees are paid by developers when they build new homes and commercial buildings in our communities.

Tap fees fund future acquisition of water resources and treatment needs to provide service for future customers.





# Steps to securing our water future

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# Rate increases

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## Short Term

Rates have not increased since 2015.

The District Board will consider a 4% across-the-board rate increase at a future Board meeting.

That means if your June 2017 water bill was \$50 and you use the same amount of water in June 2018, your water bill would increase by \$2.

## Long Term

The Rate Study shows that to maintain the water system adequately we will need additional revenue.

The District will be reviewing the Rate Study over the next several months to determine how to best re-invest in the \$241 million in assets it holds.

It is likely that rates will increase over time in small, predictable increments.

The Board may consider a change in how rates are structured to ensure the rate structure is tied to the cost to serve different customer classes.



# Tap fee increases

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## Short Term

Tap fees have not increased since 2015.

The District Board will consider an increase at a future Board meeting.

## Long Term

The Rate Study shows that to cover the cost of connecting new customers to the water system and developing the capacity needed additional revenue will be needed.

The District will be reviewing the Rate Study over the next several months to determine how to best re-invest in the \$241 million in assets it holds.

It is likely that tap fees will increase over time.

The Board may consider a change in how tap fees are structured to better capture actual future water demands.





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2018 Rate Study

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