

WELCOME

*WATER VALLEY & RAINDANCE
METRO DISTRICTS*

APRIL 25, 2023

JOINT BOARD MEETING

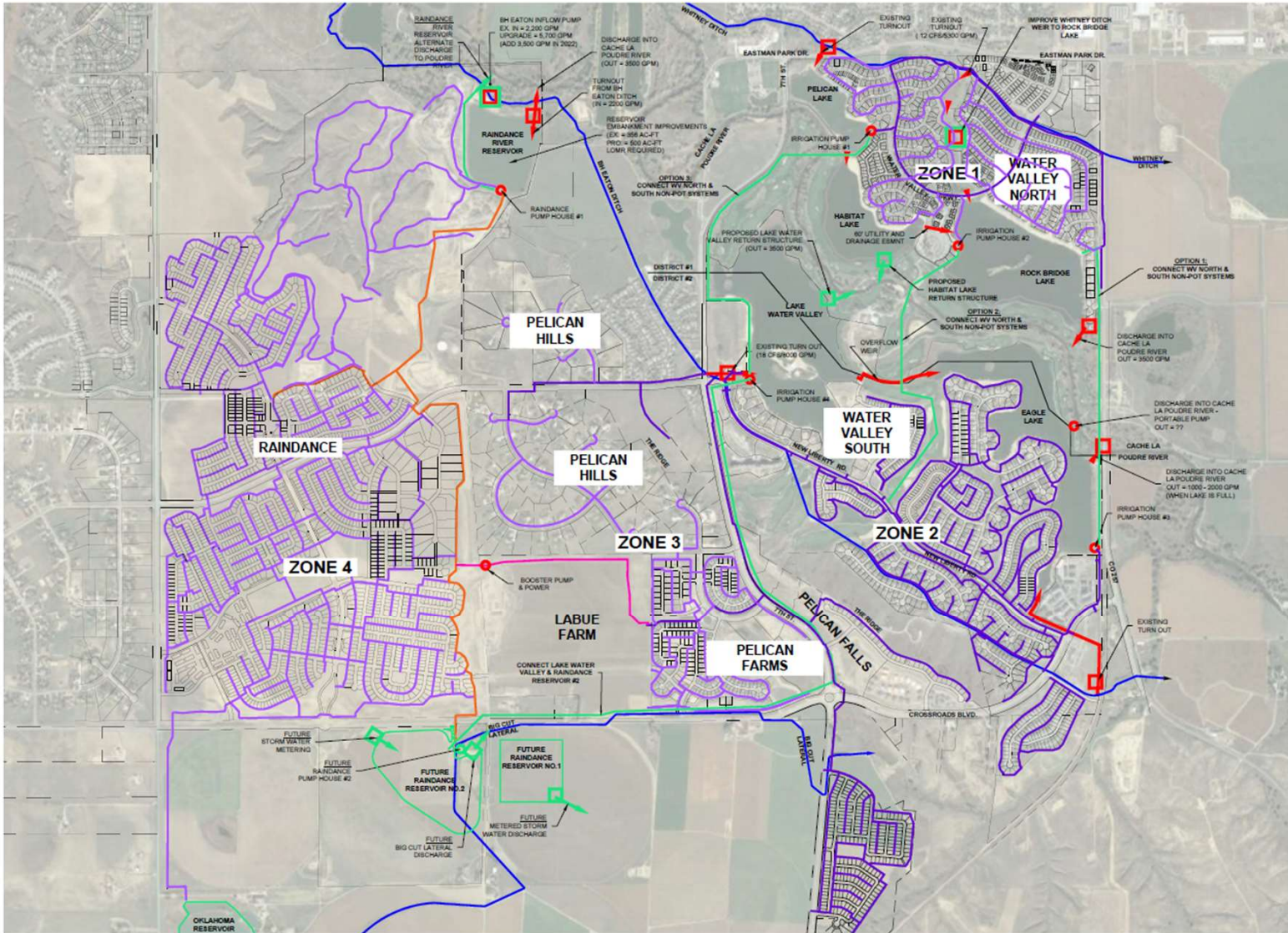
Topics:

- Background & Overview of Non-Potable Water System
- Discuss Strength of Combined Systems
- The Need for Conservation
- Review Current Non-Potable and Potable Water Rates
- Discuss Capital Requirements
- Review Operating and Debt Service Pro Forma
- Discuss Recommendations
- Review Overall Metro District / HOA Costs

Background:

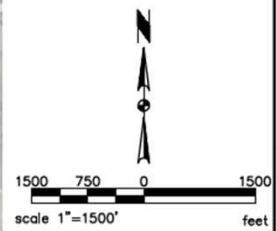
- Districts Engaged TST (District Civil Engineers), Martin & Wood (District Water Engineers), and Clifton Larson Allan (District Accountants) to Undertake a Thorough Evaluation of the Water Resources, Operations and Business of the Joint Water Enterprises, Including Analysis / Discussion of:
 - Current Water Supply, Water Rights, Lake Levels, and Adequacy of Current Senior and Junior Water Rights
 - Need for Water Conservation and Recommended Course of Action
 - Capital / Infrastructure Needs
 - Review of Current Operating Costs and Potential Further Economies of Scale / Efficiencies of Joint Operation
 - Impact of Inflation on Operations and Capital
 - Considering all the Above, Analysis of Service Fees and Recommendations for Needed Adjustment

REGIONAL NON-POT SYSTEM



LEGEND

- IRRIGATION CHANNELS IN THE AREA
- EXISTING IRRIGATION TURN OUTS
- EXISTING IRRIGATION PUMP HOUSE / BOOSTER
- METERING DEVICE
- WATER VALLEY IRRIGATION MAIN LINE
- RAINDANCE IRRIGATION MAIN LINE
- FUTURE - RAINDANCE IRRIGATION MAIN LINE
- WATER VALLEY / RAINDANCE CROSS CONNECTION
- IRRIGATION SERVICE LINES
- FUTURE - IRRIGATION SERVICE LINES
- PROPOSED METERING DEVICE
- PROPOSED IMPROVEMENTS
- PROPOSED PUMP HOUSE / BOOSTER
- IMPROVE EXISTING METERING DEVICE
- IMPROVE EXISTING PUMP HOUSE / BOOSTER



NON-POT OVERALL LAYOUT
 DATE: JANUARY 2022
 JOB NO. 0803.0400.00
 SHEET 1 OF 1

TST TST, INC. CONSULTING ENGINEERS
 748 Whetters Way, Suite 200
 Fort Collins, Colorado
 Phone: 970.228.0557

Largest Non-Pot Water Utility in Colorado

- Serving Over 5,500 Homes and 15,000 Residents, Three Golf Courses, 30+ Commercial Customers, and 150+ Acres of Public Parks, Farms, and Open Spaces
- Service Area of >4,500 Acres (Seven Square Miles)
- Senior Water Rights Valued at Over \$50MM, \$10s of Millions of Junior Water Rights, all Adjudicated via 27 Water-Court Cases
- Six Storage Lakes with Total Surface Area of 286 acres, Able to Store Over 1.2 Billion Gallons of Water (3,625 Acre-Feet)
- Three Separate Ditches Drawing Water off the Poudre and Thompson Rivers.
- Five Pump Stations Able to Deliver 1,332,000 Gallons per Hour, 63+ Miles of Pipe and 360+ Control Valves
- In 2022, Delivered Over 787 million Gallons of Water (2,415 acre-feet), Returned Over 837 Million Gallons of Decreed Water (2,568 Acre-feet) to the River, and Flowed / Processed Over 814 Million Gallons (2,496 Acre-Feet) of Storm Water

The Strength of the Combined Systems:

- Significant Operating Efficiencies & Savings... Eliminates Redundant Personnel, Administrative Systems, Maintenance Equipment, and Generally achieves meaningful Economies of Scale
- Moves Return Flow Obligations and Significant Working Storage to Offsite / Non-Amenity Lakes (Raindance River Reservoir & Raindance Reservoir #2), Thereby Increasing the Average Level and Amenity Value of the Water Valley Lakes
- The Combination of all Senior and Junior Water Rights Provides Great Resiliency of Supply and Better Capacity to Serve in Dry Years and Time of Drought.
- Provides Significant Redundancies as to Pump and Storage Capacity, Improves Overall Reliability of the System, and offers huge flexibility as to system operations.
- Gives Access to Water from the Thompson River

Need for Conservation:

- Current Rate Structure Promotes Waste by Engendering an attitude of, “If I Have to Buy it, I’m Going to use it.” Very Few Users Need 200,000 Gallons / Year
- Residences in Water Valley North Converted to Meters in the Past 12 Months, Prior to this, no Financial Incentive to Conserve
- The Correct Amount of Water to Apply to Sod During the Water Season is Approximately 21 Gallons per Square Foot / Year... so a 2,000 Square Foot Yard Only Needs 42,000 gallons of Water Per Year... On the Other Hand, A Half-Acre Yard (21,780 Square Feet) Would Require Approximately 457,000 Gallons / Year
- Based on Their Analysis, TST Estimates that:
 - Residents in Water Valley use at Least 50% More Water than is Necessary
 - Residents in Raindance use at Least 100% More Water than is Necessary (Some of this can be Attributed to Grow in of New Lawns)

Current Water Rates:

➤ **Current Water Valley Non-Potable Water Rates:**

- Base Rate of \$354 / Year / Single-Family Unit Plus \$1.75 per K Gallon for use Over 201 K Gallons.
- Base Rate of \$354 / Year / Multi-Family Unit Plus \$1.75 per K Gallon for use Over 201 K Gallons.
- Base Rate of \$354 / Year / Commercial Unit Plus \$1.75 per K Gallon for use Over 201 K Gallons.

➤ **Current Raindance Non-Potable Water Rates:**

- Base Rate of \$410 / Year / Single-Family Unit Plus \$2.05 per K Gallon for use Over 200 K Gallons.
- Base Rate of \$246 / Year / Multi-Family Unit Plus \$2.05 per K Gallon for use Over 200 K Gallons.
- Base Rate of \$410 / Year / Commercial Unit Plus \$2.05 per K Gallon for use Over 200 K Gallons.

➤ **Town of Windsor – 2023 Potable Water Rate**

- Base rate of \$20.62 / month (247.44 / year) plus:
 - 1st Tier \$6.07 / K Gallon For up to 16,000 gallons / month
 - 2nd Tier \$9.07 / K Gallon For 16,001 through 22,500 gallons / month
 - 3rd Tier \$13.52 / K Gallon For use over 22,500 gallons / month

Capital Improvements:

| | | |
|---|---|---------------------|
| ➤ | Raindance Reservoir #2 (Currently under Construction) | \$ 5,500,000 |
| ➤ | Raindance Pump House #2 (Serves both Communities) | \$ 3,000,000 |
| ➤ | Raindance Reservoir #2 Discharge and Structures | \$ 550,000 |
| ➤ | Lake Water Valley Return Structure | \$ 300,000 |
| ➤ | Habitat Lake Return Structure | \$ 300,000 |
| ➤ | Improvements to Whitney Ditch Weir to Rock Bridge | \$ 80,000 |
| ➤ | Miscellaneous | \$ 270,000 |
| ➤ | TOTAL | \$10,000,000 |
| ➤ | Funds Available in Project Fund | <u>\$ 4,246,783</u> |
| ➤ | FUNDED with NEW DEBT | \$ 5,753,217 |

Raindance #2, A Necessary New Reservoir:

- Large Offsite Working Reservoir Located South of Crossroads Boulevard
- Servicing Both Water Valley and Raindance
- Will Provide Water to all of Raindance and Water Valley Including Water Valley's new Ravena Development (229 Single Family Homes) and 208 New Hill Top Apartments
- Total Surface Area of 45 acres, with 1,500 Acre-Foot Capacity (489 Million Gallons)
- Increases Overall Systemwide Storage Capacity by over 41%
- New Pump House will Add 270,000 Gallons Per Hour Capacity, increasing Overall System Capacity by Over 20%
- Dual-Purpose Reservoir:
 - Primary Used for Return Flow Obligations, Which Should Increase the Average Levels / Reduce Strain on Water Valley Reservoirs... Thereby Maintaining Amenity and Recreation Value
 - Adds Pump / Flow Capacity to the System and Supports New Water Valley and Raindance Development.

Assumptions Concerning New Debt:

- Bank Loan, 7-year Note
- Interest Only for the First Year
- Thereafter, Amortize Over 30 years, Due in Full at 7 Years
- Interest Rate of 4.5%
- Gross Proceeds of \$6,390,000
- 2% Costs of Issuance - \$127,800
- 4% Reserve Requirements - \$255,600
- Net Proceeds of \$6,006,000
- First Year Payments of \$143,775 / Year
- Year Two through Seven Payments of \$392,292 / Year

Combined Enterprise Fund 10 Year Expense & Debt Service Estimates:

| | Pro Forma 2023 | Pro Forma 2024 | Pro Forma 2025 | Pro Forma 2026 | Pro Forma 2027 | Pro Forma 2028 | Pro Forma 2029 | Pro Forma 2030 | Pro Forma 2031 | Pro Forma 2032 |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Service Costs: | | | | | | | | | | |
| Operations & Maintenance | \$ 1,098,000 | \$ 1,141,920 | \$ 1,187,597 | \$ 1,235,101 | \$ 1,284,505 | \$ 1,335,885 | \$ 1,389,320 | \$ 1,444,893 | \$ 1,502,689 | \$ 1,562,796 |
| General & Administrative | \$ 397,000 | \$ 412,880 | \$ 429,395 | \$ 446,571 | \$ 464,434 | \$ 483,011 | \$ 502,332 | \$ 522,425 | \$ 543,322 | \$ 565,055 |
| Tap Cost | \$ 982,800 | \$ 1,019,200 | \$ 1,062,996 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Maintenance Reserves | \$ 715,000 | \$ 743,600 | \$ 773,344 | \$ 804,278 | \$ 836,449 | \$ 869,907 | \$ 904,703 | \$ 940,891 | \$ 978,527 | \$ 1,017,668 |
| Contingency | \$ 44,200 | \$ 45,968 | \$ 47,807 | \$ 49,718 | \$ 51,708 | \$ 53,776 | \$ 55,927 | \$ 58,164 | \$ 60,491 | \$ 62,910 |
| Total Service Costs | \$ 3,237,000 | \$ 3,363,568 | \$ 3,501,139 | \$ 2,535,668 | \$ 2,637,096 | \$ 2,742,579 | \$ 2,852,282 | \$ 2,966,373 | \$ 3,085,029 | \$ 3,208,429 |
| Debt Service: | | | | | | | | | | |
| 2020 Bonds | \$ 1,073,798 | \$ 1,287,975 | \$ 1,291,725 | \$ 1,295,225 | \$ 1,303,475 | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2022 Bank Loan | \$ 527,320 | \$ 516,681 | \$ 506,042 | \$ 495,403 | \$ 484,763 | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2023 Bank Loan | \$ 143,775 | \$ 392,292 | \$ 392,292 | \$ 392,292 | \$ 392,292 | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2027 Refunding Bonds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,886,000 | \$ 1,931,000 | \$ 1,968,500 | \$ 2,013,750 | \$ 2,051,250 |
| Paying Agent Fees | \$ 2,000 | \$ 5,000 | \$ 5,000 | \$ 5,000 | \$ 8,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 |
| Total Debt Service | \$ 1,746,893 | \$ 2,201,948 | \$ 2,195,059 | \$ 2,187,920 | \$ 2,188,530 | \$ 1,889,000 | \$ 1,934,000 | \$ 1,971,500 | \$ 2,016,750 | \$ 2,054,250 |
| Total Cost of Service and Debt | \$ 4,983,893 | \$ 5,565,516 | \$ 5,696,198 | \$ 4,723,588 | \$ 4,825,626 | \$ 4,631,579 | \$ 4,786,282 | \$ 4,937,873 | \$ 5,101,779 | \$ 5,262,679 |

Optimal New Rate Structure Will:

- Unify Both Districts Under One Rate Structure
- Equitably Distribute Service Fees Across all User Groups (Residential, Commercial, Golf, Parks and Rec,...)
- Ensure Residents and All Users Receive Considerable Value from the Non-Pot Systems as Compared to the Cost of Irrigating with Town of Windsor Potable Water
- Eliminate the Incentive to Over Water and Encourage, Promote, and Incent Water Conservation
- Address the Considerable Impact of Inflation on Operation / Maintenance Costs and on Capital Costs
- Fund Necessary Capital Costs
- Provide a Sustainable Financial Model Now and for the Future

Service Fee Recommendations:

- Unify Both Districts Under One Rate Structure:
 - Single-Family Residential:
 - Annual Base Fee of \$247 per Single-Family Household plus \$3.80 / 1000 Gallons Service Fee for Water Actually Used
 - Multi-Family Residential:
 - Annual Base Fee of \$247 per Multi-Family Unit plus \$3.80 / 1000 Gallons Service fee for Water Actually Used
 - Large Public Amenity Bulk Users (Metro Districts, Golf Courses & Hoedown Hill):
 - \$2.80 / 1000 Gallons Service Fee for Water Actually Used
 - Commercial Users:
 - Annual Base Fee of \$247 per Parcel plus \$3.80 / 1000 Gallons Service fee for Water Actually Used

Water Use / Fee Comparison:

| WATER USE 1000 OF GALLONS | RATE / 1000 | WATER USE FEE | ANNUAL CAP FEE | TOTAL NON-POT FEE | ESTIMATED <u>WINDSOR</u> INCREMENTAL FEE |
|---------------------------------|-------------|---------------|-------------------|----------------------|---|
| 42 | \$3.80 | \$160 | \$247 | \$407 | \$438 |
| 80 | \$3.80 | \$304 | \$247 | \$551 | \$953 |
| 120 | \$3.80 | \$456 | \$247 | \$703 | \$1,493 |
| 160 | \$3.80 | \$608 | \$247 | \$855 | \$2,282 |
| 200 | \$3.80 | \$760 | \$247 | \$1,007 | \$2,575 |

Combined Enterprise Fund 10 Year Revenue Estimates

| | Pro Forma 2023 | Pro Forma 2024 | Pro Forma 2025 | Pro Forma 2026 | Pro Forma 2027 | Pro Forma 2028 | Pro Forma 2029 | Pro Forma 2030 | Pro Forma 2031 | Pro Forma 2032 |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Beginning Funds Available | \$ 2,549,881 | \$ 3,024,756 | \$ 4,464,037 | \$ 4,960,232 | \$ 4,658,618 | \$ 4,431,846 | \$ 4,583,075 | \$ 4,770,912 | \$ 5,006,124 | \$ 5,284,353 |
| Single-Family Service Fees | \$ 1,823,664 | \$ 2,014,104 | \$ 2,216,860 | \$ 2,305,535 | \$ 2,397,756 | \$ 2,493,666 | \$ 2,593,413 | \$ 2,697,150 | \$ 2,805,036 | \$ 2,917,237 |
| Multi-Family Service Fees | \$ 723,246 | \$ 800,193 | \$ 882,138 | \$ 917,424 | \$ 954,121 | \$ 992,286 | \$ 1,031,977 | \$ 1,073,256 | \$ 1,116,186 | \$ 1,160,834 |
| Good Sam | \$ 68,040 | \$ 71,635 | \$ 75,712 | \$ 78,740 | \$ 81,890 | \$ 85,166 | \$ 88,572 | \$ 92,115 | \$ 95,800 | \$ 99,632 |
| Metro District Service Fees | \$ 299,096 | \$ 311,060 | \$ 323,502 | \$ 336,442 | \$ 349,900 | \$ 363,896 | \$ 378,452 | \$ 393,590 | \$ 409,334 | \$ 425,707 |
| Golf Course Service Fees | \$ 667,884 | \$ 694,599 | \$ 722,383 | \$ 751,279 | \$ 781,330 | \$ 812,583 | \$ 845,086 | \$ 878,890 | \$ 914,045 | \$ 950,607 |
| Commercial Service Fees | \$ 16,538 | \$ 23,649 | \$ 31,302 | \$ 32,554 | \$ 33,857 | \$ 35,211 | \$ 36,619 | \$ 38,084 | \$ 39,607 | \$ 41,192 |
| System Development / Cap Fees | \$ 877,500 | \$ 875,000 | \$ 877,500 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Tap Fees | \$ 982,800 | \$ 1,019,200 | \$ 1,062,996 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Water Service Revenues | \$ 5,458,768 | \$ 5,809,440 | \$ 6,192,393 | \$ 4,421,974 | \$ 4,598,854 | \$ 4,782,808 | \$ 4,974,119 | \$ 5,173,085 | \$ 5,380,008 | \$ 5,595,209 |

Combined Enterprise Fund 10 Year Pro Form Summary

| | Pro Forma 2023 | Pro Forma 2024 | Pro Forma 2025 | Pro Forma 2026 | Pro Forma 2027 | Pro Forma 2028 | Pro Forma 2029 | Pro Forma 2030 | Pro Forma 2031 | Pro Forma 2032 |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning Funds Available | \$ 2,549,881 | \$ 3,024,756 | \$ 4,464,037 | \$ 4,960,232 | \$ 4,658,618 | \$ 4,431,846 | \$ 4,583,075 | \$ 4,770,912 | \$ 5,006,124 | \$ 5,284,353 |
| Total Water Service Revenues | \$ 5,458,768 | \$ 5,809,440 | \$ 6,192,393 | \$ 4,421,974 | \$ 4,598,854 | \$ 4,782,808 | \$ 4,974,119 | \$ 5,173,085 | \$ 5,380,008 | \$ 5,595,209 |
| Total Service Costs | \$ 3,237,000 | \$ 3,363,568 | \$ 3,501,139 | \$ 2,535,668 | \$ 2,637,096 | \$ 2,742,579 | \$ 2,852,282 | \$ 2,966,373 | \$ 3,085,029 | \$ 3,208,429 |
| Services Surplus (Deficit) | \$ 2,221,768 | \$ 2,445,872 | \$ 2,691,254 | \$ 1,886,306 | \$ 1,961,758 | \$ 2,040,229 | \$ 2,121,837 | \$ 2,206,712 | \$ 2,294,979 | \$ 2,386,780 |
| Total Debt Service | \$ 1,746,893 | \$ 2,201,948 | \$ 2,195,059 | \$ 2,187,920 | \$ 2,188,530 | \$ 1,889,000 | \$ 1,934,000 | \$ 1,971,500 | \$ 2,016,750 | \$ 2,054,250 |
| <i>Debt Service Coverage</i> | <i>1.27</i> | <i>1.11</i> | <i>1.23</i> | <i>0.86</i> | <i>0.90</i> | <i>1.08</i> | <i>1.10</i> | <i>1.12</i> | <i>1.14</i> | <i>1.16</i> |
| Annual Surplus (Deficit) | \$ 474,875 | \$ 243,924 | \$ 496,195 | \$ (301,614) | \$ (226,772) | \$ 151,229 | \$ 187,837 | \$ 235,212 | \$ 278,229 | \$ 332,530 |
| Release of Reservoir Surety | | \$ 1,195,357 | | | | | | | | |
| Cumulative Surplus (Op & Debt) | \$ 3,024,756 | \$ 4,464,037 | \$ 4,960,232 | \$ 4,658,618 | \$ 4,431,846 | \$ 4,583,075 | \$ 4,770,912 | \$ 5,006,124 | \$ 5,284,353 | \$ 5,616,883 |

Further Recommendations:

- Considering the High Rate of Inflation, Best to Fund Necessary Capital Costs Sooner Rather Than Later
- Work with HOA to Modify Landscaping Requirements to Allow for Xeriscaping and Artificial Turf
- Metro Districts Should Consider Opportunities to Update Landscaping with Plantings that Require Less Water or Native Plantings that Don't Require Supplemental Irrigation.
- If Funding Allows, Consider Acquiring Additional Senior Water Rights and Building Additional Storage Beyond Raindance Reservoir #2
- Continue with Day of Week and Time of Day Water Restrictions to Help Manage Demand on the System
- Work Diligently to Educate Constituents on Water Scarcity in Colorado and the Need for Water Conservation
- Consider Hiring a Community Water Resource Officer to Help Educate Constituents and to Enforce Watering Restrictions

Overall Metro District / HOA Costs:

| | | <u>WATER VALLEY 1</u> | <u>RAINDANCE 2</u> |
|---|-----------|-----------------------|--------------------|
| ➤ Assessor Appraised Value | | \$ 700,000 | \$ 700,000 |
| ➤ Statutory Assessment Rate | | <u>6.950%</u> | <u>6.950%</u> |
| ➤ Assessed Value | | \$ 48,650 | \$ 48,650 |
| ➤ Mill Levy | | 42.786 mills | 43.834 mills |
| ➤ Metro District Property Tax | | \$ 2,082 | \$ 2,133 |
| ➤ HOA Dues | | \$ 140 | \$ 300* |
| ➤ Non-Potable Water Fee (Assuming 42,000 Gallons) | | <u>\$ 406</u> | <u>\$ 406</u> |
| ➤ Total Costs | Per Year | \$ 2,628 | \$ 2,839 |
| | Per Month | \$ 219 | \$ 237 |

*Raindance HOA Includes Trash Services

*FURTHER
DISCUSSION*