



# Financial Strategy and Sustainability Study Executive Committee Meeting Workshops 4 – July 25, 2019

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## Workshop 4: Water Rate Design and Analysis

### Rate Design Scenarios

In Workshop 4, JACOBS presented the Executive Committee with three rate design scenarios:

1. Aggressive Rate Phase-In Scenario (1 year phase-in)
2. Moderate Rate Phase-In Scenario (5 year phase-in)
3. Gradual Rate Phase-In Scenario (10 year phase-in)

### Assumptions for all Scenarios

- All Surcharges remain unchanged
- Annual Project water sales = 44,000 acre-feet (20-year average)
- Annual irrigation return flows = 6,470 acre-feet (20-year average)
- Annual municipal return flows = 1,000 acre-feet (20-year average)
- Annual winter water storage = 42,000 acre-feet (20-year average)
- Annual carry-over storage = 123,944 acre-feet (10-year average)
- Carry-over rate phased in over 5 years, no carry-over rate in 2020, and 25% per year thereafter
- Transfers of \$300,000 annually are made from the Water Fund to the District Operations Fund
- Annual rate increase of 5% per year for phase-in scenarios
- Split allocation and uniform rates were both studied—only split allocation rates are included in the scenarios

### Finance Study Schedule

**JACOBS**

The Southeastern Colorado Water Conservancy District  
 Financial Strategy and Sustainability Study  
 Project Timeline

**Task**

- Task 1 Initial Project Meeting
- Task 2 Data Collection and Analysis
- Task 3 Capital Improvement and Capital Project Plan
- Task 4 Revenue Requirements Analysis
- Task 5 Cost-of-Service Analysis
- Task 6 Rate Design Analysis**
- Task 7 Comparison of Rates and Financial Performance Measures
- Task 8 Draft Report of Findings
- Task 9 The Southeastern District Board Meeting
- Task 10 Final Report and Presentations

Feb-19 Mar-19 Apr-19 May-19 Jun-19 Jul-19 Aug-19 Sep-19 Oct-19 Nov-19



November 2019 Completion



# Water Rate Design Scenarios

## 1. Aggressive Rate Phase-In Scenario (1 year phase-in)

SECWCD Financial Strategy and Sustainability Study - Proposed Water Rates (excluding surcharges)  
Water Rate Scenario - Aggressive Split Rates (1-Year Phase-In: "One and Done")

Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Water Rate Description</b>	<b>Current</b>	<b>Aggressive Split Rate Increase (\$/AF)</b>									
<u>Project Water</u>											
Irrigation	\$ 7.00	\$ 13.14	\$ 13.14	\$ 13.14	\$ 13.14	\$ 13.14	\$ 13.14	\$ 13.14	\$ 13.14	\$ 13.14	\$ 13.14
Municipal	\$ 7.00	\$ 15.25	\$ 15.25	\$ 15.25	\$ 15.25	\$ 15.25	\$ 15.25	\$ 15.25	\$ 15.25	\$ 15.25	\$ 15.25
<u>Project Water Sales used for Well Augmentation</u>											
Irrigation used for Well Augmentation	\$ 7.00	\$ 13.14	\$ 13.14	\$ 13.14	\$ 13.14	\$ 13.14	\$ 13.14	\$ 13.14	\$ 13.14	\$ 13.14	\$ 13.14
Municipal used for Well Augmentation	\$ 7.00	\$ 15.25	\$ 15.25	\$ 15.25	\$ 15.25	\$ 15.25	\$ 15.25	\$ 15.25	\$ 15.25	\$ 15.25	\$ 15.25
<u>Storage Charges</u>											
Winter Water Storage*	\$ 2.80	\$ 5.72	\$ 5.72	\$ 5.72	\$ 5.72	\$ 5.72	\$ 5.72	\$ 5.72	\$ 5.72	\$ 5.72	\$ 5.72
Carry-Over Project Water	\$ -	\$ -	\$ 2.97	\$ 5.93	\$ 8.90	\$ 11.86	\$ 11.86	\$ 11.86	\$ 11.86	\$ 11.86	\$ 11.86
<u>If-and-When Storage</u>											
In District	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Out of District	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aurora	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Project Water Return Flows</u>											
Irrigation Return Flows	\$ 6.00	\$ 16.18	\$ 16.18	\$ 16.18	\$ 16.18	\$ 16.18	\$ 16.18	\$ 16.18	\$ 16.18	\$ 16.18	\$ 16.18
Municipal Return Flows	\$ 6.00	\$ 18.78	\$ 18.78	\$ 18.78	\$ 18.78	\$ 18.78	\$ 18.78	\$ 18.78	\$ 18.78	\$ 18.78	\$ 18.78

\* \$2.80 charged by the Bureau and transferred to the Bureau

## 2. Moderate Rate Phase-In Scenario (5 year phase-in)

SECWCD Financial Strategy and Sustainability Study - Proposed Water Rates (excluding surcharges)  
Water Rate Scenario - Moderate Split Rates (5-Year Phase-In)

Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Water Rate Description</b>	<b>Current</b>	<b>Moderate Split Rate Increase (\$/AF)</b>									
<u>Project Water</u>											
Irrigation	\$ 7.00	\$ 8.64	\$ 10.37	\$ 12.17	\$ 14.08	\$ 16.06	\$ 16.06	\$ 16.06	\$ 16.06	\$ 16.06	\$ 16.06
Municipal	\$ 7.00	\$ 9.08	\$ 11.27	\$ 13.57	\$ 15.98	\$ 18.51	\$ 18.51	\$ 18.51	\$ 18.51	\$ 18.51	\$ 18.51
<u>Project Water Sales used for Well Augmentation</u>											
Irrigation used for Well Augmentation	\$ 7.00	\$ 8.64	\$ 10.37	\$ 12.17	\$ 14.08	\$ 16.06	\$ 16.06	\$ 16.06	\$ 16.06	\$ 16.06	\$ 16.06
Municipal used for Well Augmentation	\$ 7.00	\$ 9.08	\$ 11.27	\$ 13.57	\$ 15.98	\$ 18.51	\$ 18.51	\$ 18.51	\$ 18.51	\$ 18.51	\$ 18.51
<u>Storage Charges</u>											
Winter Water Storage*	\$ 2.80	\$ 3.41	\$ 4.05	\$ 4.72	\$ 5.43	\$ 6.19	\$ 6.19	\$ 6.19	\$ 6.19	\$ 6.19	\$ 6.19
Carry-Over Project Water	\$ -	\$ -	\$ 1.28	\$ 3.92	\$ 8.05	\$ 13.77	\$ 13.77	\$ 13.77	\$ 13.77	\$ 13.77	\$ 13.77
<u>If-and-When Storage</u>											
In District	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Out of District	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aurora	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Project Water Return Flows</u>											
Irrigation Return Flows	\$ 6.00	\$ 8.44	\$ 11.01	\$ 13.70	\$ 16.53	\$ 19.47	\$ 19.47	\$ 19.47	\$ 19.47	\$ 19.47	\$ 19.47
Municipal Return Flows	\$ 6.00	\$ 8.99	\$ 12.13	\$ 15.42	\$ 18.88	\$ 22.49	\$ 22.49	\$ 22.49	\$ 22.49	\$ 22.49	\$ 22.49

\* \$2.80 charged by the Bureau and transferred to the Bureau

## 3. Gradual Rate Phase-In Scenario (10 year phase-in)

SECWCD Financial Strategy and Sustainability Study - Proposed Water Rates (excluding surcharges)  
Water Rate Scenario - Gradual Split Rates (10-Year Phase-In)

Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Water Rate Description</b>	<b>Current</b>	<b>Gradual Split Rate Increase (\$/AF)</b>									
<u>Project Water</u>											
Irrigation	\$ 7.00	\$ 7.99	\$ 9.03	\$ 10.12	\$ 11.27	\$ 12.47	\$ 13.74	\$ 15.06	\$ 16.46	\$ 17.92	\$ 19.50
Municipal	\$ 7.00	\$ 8.22	\$ 9.50	\$ 10.85	\$ 12.26	\$ 13.75	\$ 15.31	\$ 16.95	\$ 18.66	\$ 20.47	\$ 22.31
<u>Project Water Sales used for Well Augmentation</u>											
Irrigation used for Well Augmentation	\$ 7.00	\$ 7.99	\$ 9.03	\$ 10.12	\$ 11.27	\$ 12.47	\$ 13.74	\$ 15.06	\$ 16.46	\$ 17.92	\$ 19.50
Municipal used for Well Augmentation	\$ 7.00	\$ 8.22	\$ 9.50	\$ 10.85	\$ 12.26	\$ 13.75	\$ 15.31	\$ 16.95	\$ 18.66	\$ 20.47	\$ 22.31
<u>Storage Charges</u>											
Winter Water Storage*	\$ 2.80	\$ 3.11	\$ 3.43	\$ 3.76	\$ 4.11	\$ 4.49	\$ 4.87	\$ 5.28	\$ 5.71	\$ 6.16	\$ 6.65
Carry-Over Project Water	\$ -	\$ -	\$ 0.64	\$ 1.97	\$ 4.03	\$ 6.90	\$ 8.49	\$ 10.16	\$ 11.93	\$ 13.78	\$ 15.67
<u>If-and-When Storage</u>											
In District	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Out of District	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aurora	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Project Water Return Flows</u>											
Irrigation Return Flows	\$ 6.00	\$ 7.37	\$ 8.81	\$ 10.32	\$ 11.91	\$ 13.58	\$ 15.33	\$ 17.16	\$ 19.09	\$ 21.12	\$ 23.22
Municipal Return Flows	\$ 6.00	\$ 7.64	\$ 9.37	\$ 11.18	\$ 13.09	\$ 15.08	\$ 17.18	\$ 19.39	\$ 21.70	\$ 24.13	\$ 26.66

\* \$2.80 charged by the Bureau and transferred to the Bureau



## Water Rate Design Scenarios Details

### Aggressive Rate Phase-In Scenario Summary (Water Fund)

- ⇒ 1- Year Rate Phase-in (to 2020)
  - Irrigation \$13.14
  - Municipal \$15.25
- ⇒ Rate and Fee Revenue Increase (over 2019)
  - 33% in 2020
  - 128% by 2024
- ⇒ Deficits are Eliminated in 2022
- ⇒ 10 Year Net Revenue: \$4.1 million
- ⇒ Minimum Fund Balance: \$4.7 million (2021)
- ⇒ Maximum Fund Balance: 10.5 million (2029)

### Moderate Rate Phase-In Scenario Summary (Water Fund)

- ⇒ 5- Year Rate Phase-in (to 2024)
  - Irrigation \$16.06
  - Municipal \$18.51
- ⇒ Rate and Fee Revenue Increase (over 2019)
  - 8% in 2020
  - 154% by 2024
- ⇒ Deficits are Eliminated in 2023
- ⇒ 10 Year Net Revenue: \$5.2 million
- ⇒ Minimum Fund Balance: \$3.6 million (2022)
- ⇒ Maximum Fund Balance: 11.7 million (2029)

### Gradual Rate Phase-In Scenario Summary (Water Fund)

- ⇒ 10- Year Rate Phase-in (to 2029)
  - Irrigation \$19.50
  - Municipal \$22.31
- ⇒ Rate and Fee Revenue Increase (over 2019)
  - 4% in 2020
  - 182% by 2029
- ⇒ Deficits are Eliminated in 2026
- ⇒ 10 Year Net Revenue: \$1.6 million
- ⇒ Minimum Fund Balance: \$2.4 million (2025)
- ⇒ Maximum Fund Balance: \$8.0 million (2029)



### Summary of Workshop 4 Takeaways:

- ◆ All three scenarios are reasonable and viable options
- ◆ The aggressive rate scenario has the lowest per acre-foot rate to customers over time.
- ◆ The moderate rate scenario is a mid-point regarding acre-foot rate to customers over time.
- ◆ The Gradual rate scenario has the highest acre-foot rate to customers over time.
- ◆ An additional rate study is planned in three years
- ◆ In the next rate study, the Board of Directors will determine if surcharges should be factored in the total cost of service to create one rate for water.



## Next Steps...

President Bill Long stated that in upcoming board meetings the subject of the Finances will be the top priority of the Board of Directors.

The financial discussion will move from the Executive Committee to the Board of Directors, following a schedule that will allow rate adjustments to be made for 2020, according to the preferences of the Board.

## Future Meetings: Customer Outreach

### Central District Area Outreach Meeting

Subject: Workshop Summary  
August 27, 2019 at 10:00 a.m.  
Southeastern Colorado Water Conservancy  
District 31717 United Ave  
Pueblo, CO 81001

### Northern District Area Outreach Meeting

Subject: Workshop Summary  
August 30, 2019 at 10:00 a.m.  
Fountain City Hall  
116 S. Main Street  
Fountain, CO 80817

### Lower Arkansas Valley Outreach Meeting

Subject: Workshop Summary  
August 29, 2019 at 10:00 a.m.  
Otero Juror College – Rizzuto Banquet Room  
1802 Colorado Ave  
La Junta, CO 81050

### Upper District Area Outreach Meeting

Subject: Workshop Summary  
September 12, 2019 at 1 p.m.  
Upper Arkansas Water Conservancy District Office  
339 E. Rainbow Blvd  
Salida, CO 81201

