



City of Saratoga Springs

Storm Water Utility Rate Analysis



January 24, 2017



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Storm Water Utility Rates

Growth Projections

Growth in storm water equivalent surface units (ESUs) is based on information provided by the City and is comparable to the population projections growth rate, for the same time period, as established by the Governor's Office of Management and Budget (GOMB). The ESUs are projected to grow at an average annual rate of 6.84 percent per year, while GOMB population projections are estimated at 6.54 percent annually between 2010 and 2020. Population projections between 2020 and 2030 are for an average annual growth rate of 5.73 percent per year. Increased commercial growth, which is expected due to increased rooftops, will only increase this growth rate to closer to the 6.84 percent used in this study.

TABLE 1: PROJECTED STORM WATER ESU GROWTH

Year	Growth in ESUs
2015	5,827
2016	6,203
2017	6,678
2018	7,191
2019	7,744
2020	8,218
2021	8,722
2022	9,257

An ESU has been defined by the City as 2,700 square feet of impervious surface.

Operating Expenses

Operating expenses are divided into two major categories based on the City's current budget: 1) Personnel; and 2) Materials & Services. Growth in personnel expenses is projected at an average annual rate of three percent per year, while growth in materials & services expenses is projected at an average annual rate of five percent per year. There is one exception, MS4 permitting, which is projected to grow at an average annual rate of ten percent per year. These expense projections are shown in detail in Appendix A.

Outstanding Debt

Outstanding debt that must be covered by the Storm Water Fund include payments on an outstanding 2011 Sales Tax Revenue Bond (a portion of which is used for storm water capital improvements) of approximately \$48,000 per year.

Capital Projects

Capital projects that are necessary to be completed over the next six years include the following:

TABLE 2: IMPACT-FEE ELIGIBLE STORM WATER CAPITAL PROJECTS

Project #	Capital Projects - Notes (in order)	Total
DS1	Harbor Park Way	\$1,109,500
OCS1	Village Parkway & Redwood Road	\$33,620
PS1	Harbor Parkway	\$212,000
OCS2	Clark Canyon	\$21,340
PN12	Harvest Hills to Jordan River 1	\$851,300
PN18	SR-73	\$163,000
OCS3	Limekiln Canyon	\$32,160
CS3	Redwood Rd. & Limekiln Canyon	\$110,000
PN16	1900 North/Redwood Rd.	\$11,600
CS12	Village Court Rd.	\$110,000
PN1	Redwood Rd. near Grandview Blvd	\$250,000
M1	Pollution Control Outfall Treatment	\$120,000
PN8a	1200 North 1	\$325,400
PN8b	1200 North 2	\$926,800
PN8c	Redwood Rd. (1200 N to Market)	\$493,600
PN9	800 West (DN4 to 1200 N)	\$680,800
PN17	Meadow Crest Bypass	\$667,100
TOTAL		\$6,118,220

An annual cost construction inflation rate of three percent per year has been used in the spreadsheet analysis, added to the 2015 costs shown in the table above.

Reimbursement Agreements with Developers

Many of the projects listed above will need to be paid for up-front by developers. The City will then enter into reimbursement agreements with the developers for these projects. The storm water rate study is based on reimbursements taking place over a 10-year period to the developers, with no interest costs to be paid by the City. Those projects that are anticipated to be funded by developers are shown in the table below:

TABLE 3: DEVELOPER FUNDED PROJECTS WITH REIMBURSEMENT AGREEMENTS

		2017	2018	2019	2020	2021	2022
DS1	Harbor Park Way	(\$1,177,069)					
PS1	Harbor Parkway	(\$224,911)					
PN12	Harvest Hills to Jordan River 1	(\$903,144)					
CS3	Redwood Rd. & Limekiln Canyon	(\$123,806)					
PN8a	1200 North 1	(\$388,545)					
PN8b	1200 North 2	(\$1,106,648)					
PN8c	Redwood Rd. (1200 N to Market)	(\$589,384)					
PN9	800 West (DN4 to 1200 N)	(\$837,298)					

	2017	2018	2019	2020	2021	2022
TOTAL	(\$2,305,124)	\$0	(\$123,806)	\$0	(\$2,084,576)	(\$837,298)

Repair and Replacement

Based on conversations with the City, an amount of \$100,000 has been budgeted for repair and replacement of storm water facilities in 2017, increasing at five percent annually thereafter.

Cash Balance

The beginning cash balance in the Storm Water Utility Fund is (\$118,736).¹ Good management practices suggest that the City should plan to keep 275 days cash on hand going forward. An absolute minimum level of cash on hand, in order not to negatively impact bond ratings, is 150 days.

Current Rate Structure

The current rates are structured with a flat fee of \$4.45 per month per ESU. One residential unit is considered to be one ESU for the purpose of charging storm water rates. Commercial fees are charged based on actual number of ESUs which are calculated based on the number of impervious square feet. One ESU is calculated based on 2,700 impervious square feet.

Proposed Rates

The proposed storm water rate increase is for a \$1.00 increase per month in 2017 and a \$1.00 increase per month in 2018. Increases for the following years are smaller and are shown in the table below:

TABLE 4: PROPOSED STORM WATER MONTHLY RATE INCREASES

Year	Monthly Storm Water Rate
2016	\$4.45
2017	\$5.45
2018	\$6.45
2019	\$6.75
2020	\$7.00
2021	\$7.25
2022	\$7.50

¹ Source: City of Saratoga Springs, January 2017.

Debt Coverage Ratios

No new issuance of bonds is anticipated as part of this rate study. Debt coverage ratios for the outstanding debt exceed the minimum debt coverage ratios which are generally assumed to be around 1.25.

Days Cash on Hand

Days cash on hand needs to be increased immediately. The account is currently negative (\$118,736) which means the account has no cash on hand. A rate increase is necessary immediately in order to begin to correct this situation. Ideally, the storm water fund would contain 275 days cash on hand, but no less than 150 days cash on hand. Less than 150 days cash on hand would negatively impact bond ratings.



Appendix A – Storm Water Rate Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022
Increase to Storm Water Revenues		6%	32%	27%	13%	10%	10%	10%
ESUs	5,827	6,203	6,678	7,191	7,744	8,218	8,722	9,257
Developed Acres	3,225	3,328	3,543	3,814	4,107	4,423	4,694	4,982
Growth in Acres	103	103	215	272	293	316	271	288
Acres Growth Rate		3%	6%	8%	8%	8%	6%	6%
Gross Change to Rates	0%	3%	25%	20%	5%	2%	4%	4%
Coverage Ratio	3.02	5.85	11.52	11.22	13.03	14.50	13.83	15.38
Days Operational Cash on Hand (275 Days Target)	-	-	(165)	189	263	396	296	432

Year	2015	2016	2017	2018	2019	2020	2021	2022
Operational Revenues								
ESUs	5,827	6,203	6,678	7,191	7,744	8,218	8,722	9,257
STORM DRAIN UTILITY FEE	\$311,155	\$331,217	\$436,737	\$556,568	\$627,273	\$690,347	\$758,830	\$833,115
OTHER	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Total Operational Revenues	\$316,155	\$336,217	\$441,737	\$561,568	\$632,273	\$695,347	\$763,830	\$838,115

Operational Expenses								
SALARIES & WAGES	(\$43,908)	(\$54,390)	(\$56,022)	(\$57,702)	(\$59,433)	(\$61,216)	(\$63,053)	(\$64,945)
EMPLOYEE BENEFITS	(\$23,672)	(\$27,734)	(\$28,566)	(\$29,423)	(\$30,306)	(\$31,215)	(\$32,151)	(\$33,116)
OVERTIME PAY	(\$1,709)	(\$1,709)	(\$1,760)	(\$1,813)	(\$1,867)	(\$1,923)	(\$1,981)	(\$2,041)
VEHICLE LEASE PAYMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VEHICLE MAINTENANCE	(\$12,000)	(\$4,870)	(\$5,113)	(\$5,369)	(\$5,637)	(\$5,919)	(\$6,215)	(\$6,526)
GASOLINE EXPENSES	(\$1,985)	(\$243)	(\$256)	(\$268)	(\$282)	(\$296)	(\$311)	(\$326)
POWER & PUMPING		(\$5,649)	(\$5,932)	(\$6,229)	(\$6,540)	(\$6,867)	(\$7,210)	(\$7,571)
STORM DRAIN MAINTENANCE	(\$30,000)	(\$28,162)	(\$29,570)	(\$31,048)	(\$32,601)	(\$34,231)	(\$35,942)	(\$37,739)
EDUCATION/TRAINING		(\$305)	(\$320)	(\$336)	(\$353)	(\$371)	(\$389)	(\$409)
BAD DEBT EXPENSE	(\$434)	\$0	(\$412)	(\$433)	(\$454)	(\$477)	(\$501)	(\$526)
MS4 PERMITTING		(\$31,340)	(\$34,474)	(\$37,921)	(\$41,713)	(\$45,884)	(\$50,473)	(\$55,520)
ADMIN CHRГ-GENERAL FND	(\$236,732)	(\$80,791)	(\$100,034)	(\$325,000)	(\$341,250)	(\$358,313)	(\$376,228)	(\$395,040)
Total Operational Expenses	(\$350,440)	(\$235,193)	(\$262,459)	(\$495,542)	(\$520,437)	(\$546,712)	(\$574,455)	(\$603,758)

Non-Operational Revenues and Expenses

STORM DRAIN IMPACT FEES	\$178,753	\$178,860	\$372,430	\$471,217	\$508,388	\$548,492	\$470,167	\$499,375
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Year	2015	2016	2017	2018	2019	2020	2021	2022
Total Non-Operational Revenues and Expenses	\$178,753	\$178,860	\$372,430	\$471,217	\$508,388	\$548,492	\$470,167	\$499,375
Net Revenues Available for Debt Service	\$144,468	\$279,884	\$551,708	\$537,242	\$620,225	\$697,127	\$659,542	\$733,733
Outstanding Debt								
2011 Sales Tax Revenue Bonds	(\$47,795)	(\$47,852)	(\$47,885)	(\$47,893)	(\$47,599)	(\$48,088)	(\$47,697)	(\$47,697)
<i>Future Debt-Bonds</i>								
Future Bond 1	\$0	-	-	-	-	-	-	-
Future Bond 2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Future Bond 3			\$0	\$0	\$0	\$0	\$0	\$0
Total Outstanding and Future Debt	(\$47,795)	(\$47,852)	(\$47,885)	(\$47,893)	(\$47,599)	(\$48,088)	(\$47,697)	(\$47,697)
Coverage Ratio with Impact Fees (Minimum >1.25; Target > 1.5)	3.02	5.85	11.52	11.22	13.03	14.50	13.83	15.38
Coverage Ratio without Impact Fees (Minimum > 1.0)	(0.72)	2.11	3.74	1.38	2.35	3.09	3.97	4.91
Future Debt - Reimbursement Agreements								
Reimbursement Payment 1				(\$230,512)	(\$230,512)	(\$230,512)	(\$230,512)	(\$230,512)
Reimbursement Payment 2						(\$12,381)	(\$12,381)	(\$12,381)
Reimbursement Payment 3								(\$208,458)
Reimbursement Payment 4								
Reimbursement Payment 5								
Total Reimbursement Payments				(\$230,512)	(\$230,512)	(\$242,893)	(\$242,893)	(\$451,351)
Net Revenues After Debt Service and Reimbursement Payments	\$96,673	\$232,032	\$503,824	\$258,837	\$342,113	\$406,145	\$368,952	\$234,685
Bond Proceeds								
Developer Proceeds			\$2,305,124	\$0	\$123,806	\$0	\$2,084,576	\$837,298
CAPITAL NEEDS - Other Funding Sources								
DS1 Harbor Park Way			(\$1,177,069)					

Year		2015	2016	2017	2018	2019	2020	2021	2022
OCS1	Village Parkway & Redwood Road			(\$35,667)					
PS1	Harbor Parkway			(\$224,911)					
OCS2	Clark Canyon			(\$22,640)					
PN12	Harvest Hills to Jordan River 1			(\$903,144)					
PN18	SR-73			(\$172,927)					
OCS3	Limekiln Canyon				(\$35,142)				
CS3	Redwood Rd. & Limekiln Canyon					(\$123,806)			
PN16	1900 North/Redwood Rd.					(\$13,056)			
CS12	Village Court Rd.						(\$127,520)		
PN1	Redwood Rd. near Grandview Blvd						(\$289,819)		
M1	Pollution Control Outfall Treatment			(\$127,308)					
PN8a	1200 North 1							(\$388,545)	
PN8b	1200 North 2							(\$1,106,648)	
PN8c	Redwood Rd. (1200 N to Market)							(\$589,384)	
PN9	800 West (DN4 to 1200 N)								(\$837,298)
PN17	Meadow Crest Bypass								(\$820,449)
	TOTAL	\$0	\$0	(\$2,663,665)	(\$35,142)	(\$136,862)	(\$417,339)	(\$2,084,576)	(\$1,657,747)
Repair and Replacement				(\$100,000)	(\$105,000)	(\$110,250)	(\$115,763)	(\$121,551)	(\$127,628)
Beginning Cash Balance				(\$118,736)	\$255,980	\$374,675	\$593,482	\$466,526	\$713,928
Impact Fee Fund Balance (limited use for projects specified in IFFP)				\$329,434					
Ending Cash Balance		\$232,032	\$255,980	\$374,675	\$593,482	\$466,526	\$713,928	\$536	
Days Cash on Hand - Beginning			-	(165)	189	263	396	296	432
Fee per ESU per Month		\$4.45	\$4.45	\$5.45	\$6.45	\$6.75	\$7.00	\$7.25	\$7.50