Englewood Water District



2025 WATER AND WASTEWATER RATE AND CHARGE STUDY

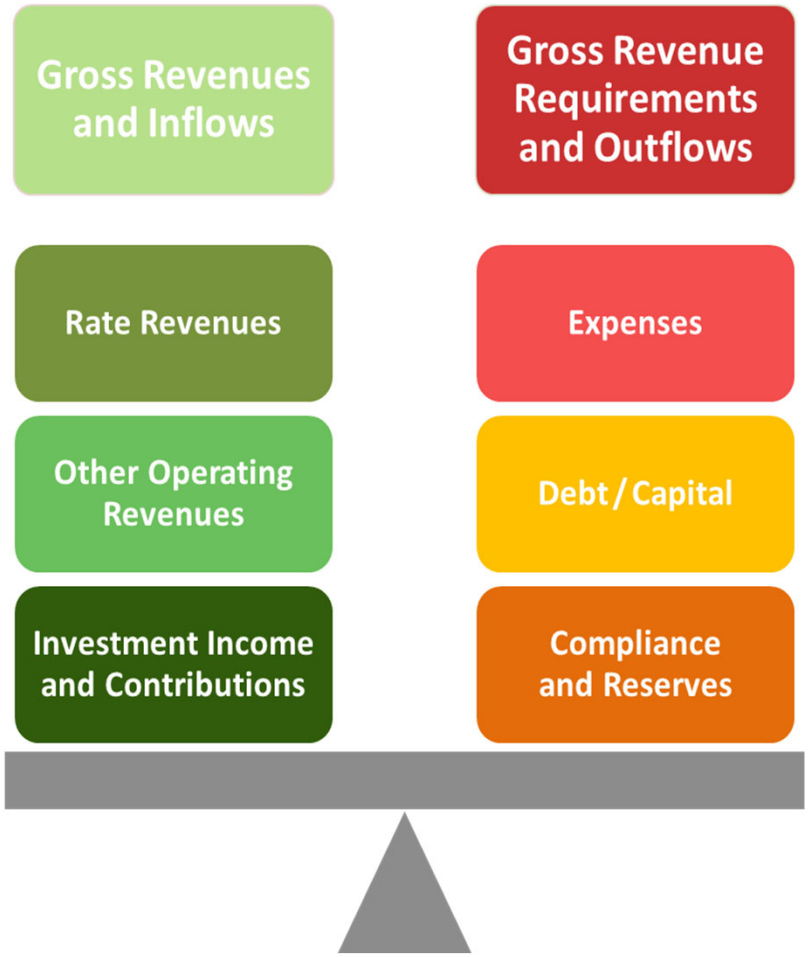
AUGUST 14, 2025

AGENDA

- Study Purpose
- Utility Overview
- Revenue Sufficiency Analysis
- Capital Capacity Charges
- Miscellaneous Service Fees
- Proposed Recommendations

Study Purpose

- Primary Objective – Develop Sustainable Rate and Financial Plan
  - Evaluate the Sufficiency of Revenues
  - Develop Capital Funding Plan
  - Fund Full Cost of Providing Service
  - Support Future Debt Issue / Promote Rate Covenant Compliance
  - Identify Rate and Charge Implementation Plan
    - Monthly User Fees (Next Five Years)
    - Capital Capacity Charges
    - Miscellaneous Service Charges (Recover Full Cost for Customer-specific Services)



Utility Overview

- Rates Last Formally Adjusted in Fiscal Year 2018
  - Adopted a Five-year Rate Phasing Plan Through Fiscal Year 2022
  - Rate Tariff provided for an annual price index adjustment factor
    - Not greater than 5.0%
    - Have implemented 5.0% Adjustments in Fiscal Years 2023, 2024, and 2025
    - Significant Utility Investment – Gross Plant Investment of $180 Million as of Fiscal Year 2024
- Sizable Customer Base – Service to Over:
  - 19,720 Water Accounts / 24,189 ERCs
  - 17,511 Wastewater Accounts / 21,257 ERCs
  - 91% of Customers Served are Single-family Residential
  - Average Residential Monthly Use => 3,200 Gallons

REVENUE SUFFICIENCY ANALYSIS

- Primary Reasons for Recommended Rate Adjustments
- Rate Comparisons
- Recommendations

Primary Reasons for Recommended Rate Adjustments

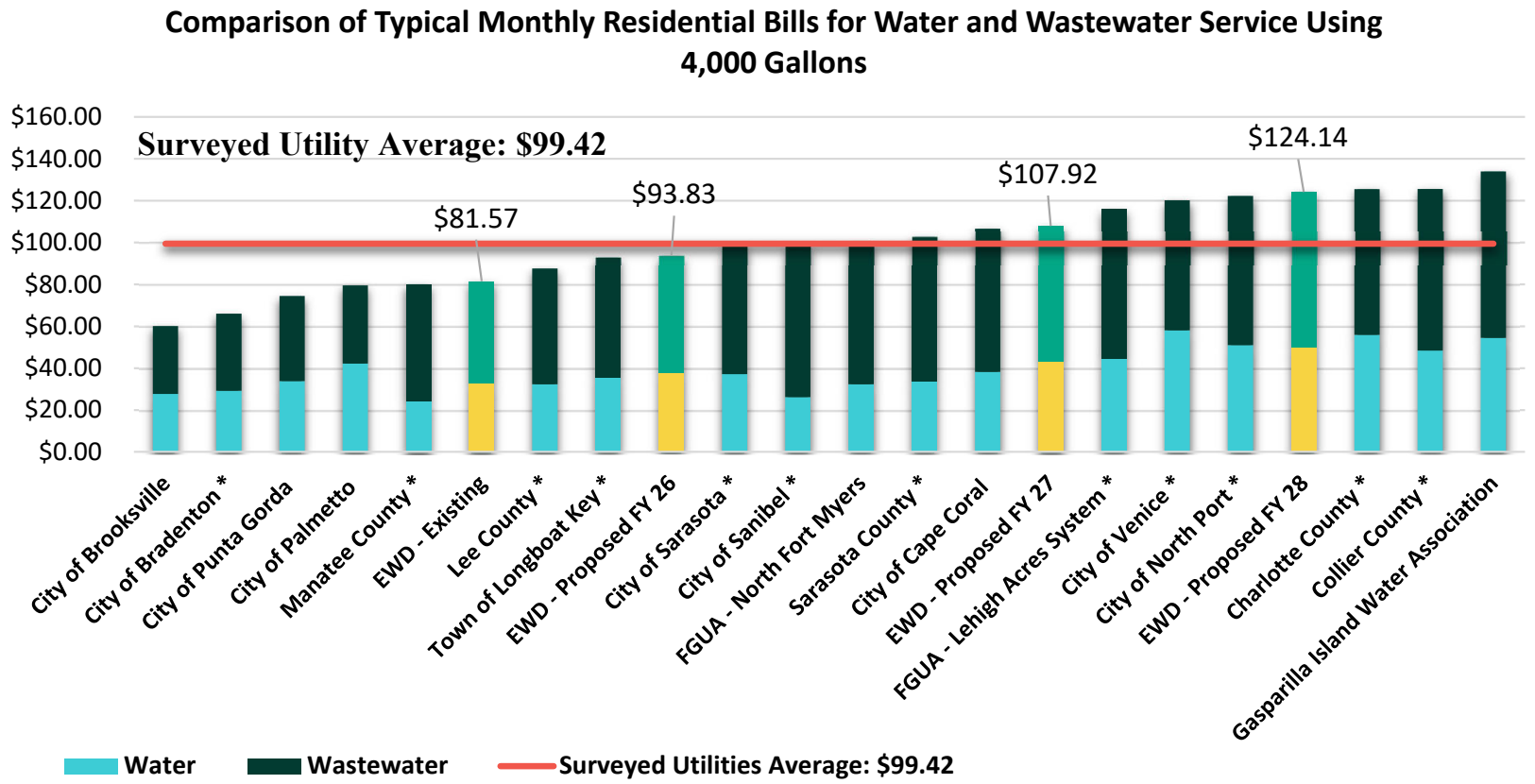
- Increased Cost of Operations and Capital Funding Needs:
  - Recapture of Historical and Continued Inflation Impacts
    - Inflation Greater Than Rate Adjustments – Reduced Operating Margins
  - Need to Fund Significant Capital Plan
    - Total 5-Year CIP: $225 Million
    - Increase in Gross Depreciable Assets by 125%
    - Cost of Construction Has Materially Increased
      - Since Last Rate Study Construction Cost Index Increased by 45.4%
      - Not Uncommon to See CIP Projects Come in 50% - 100% Higher Than “Pre-Covid” Costs
  - Financing of WTP and WRF Upgrades and Expansions Constructed During Forecast Period
    - Accounts for 72.8% of the CIP Costs
    - Will Require the Need for Debt Financing
      - Must Adopt Rates In Advance to Issue Debt / Meet Anticipated Rate Covenants

Primary Reasons for Recommended Rate Adjustments

- Funding Significant Capital Improvement Re-investment Program
  - Increased Dedicated Deposit to R&R Fund
  - Depreciable Assets – Reported at $180 Million
  - Replacement Costs = Estimated at $390 Million
- Requires Issuance of New Debt to Fund Portion of CIP
  - $75.7 Line of Credit (LOC) in FY 2026
  - $88.1 Line of Credit (LOC) in FY 2027
    - Reduces Up-Front Interest Expense – Increased Spending Flexibility
  - $77.3 Million Bond / Loan FY 2028 (Will Retire First LOC)
  - $89.8 Million Bond / Loan FY 2029 (Will Retire Second LOC)
- Plan Recognizes Large Capital Project Outside of Forecast
  - Goal is to Include the Phasing of Rates for this Project to:
    - Minimize Rate Shock if Rates were Adjusted when Future Financing Occurs
    - Accrue Funds to Buy-down Future Debt Requirements

Rate Comparison – Fiscal Year 2026 Rates

- Standard Residential Customer – 3,500 to 4,000 kgal / Month
- Fiscal Year 2026 Rates Will Remain Competitive in Region
  - Note: Many Utilities Increasing Rates in 2026 – NOT Reflected



* Utility is currently involved in a rate study, is planning to conduct a rate study, or plans to implement a rate revision or price index/pass-through adjustment within the next twelve months following the comparison preparation date.

Proposed Recommendations

- Adopt 5-year Rate Phasing Plan
  - Recover net inflation impacts on cost of providing service
    - Increase Net Revenue Margins of System
    - Implement Plan Beginning October 1, 2025
  - Required to Establish Revenue Basis for Issuance of LOC and Additional Bonds
  - Required to Establish R&R Funding Plan 15% (Prior Period Rate Revenue) Finance Capital Reinvestment Deposit Threshold
    - Best Management Practice and Viewed Favorable by Rating Agencies
    - Provides Debt Service Coverage on Bonds (Required by Bond Resolution)
  - Maintain Existing Rate Structure and Maintain Price Index Provision in Rate Tariff
  - Rates remain competitive
- Re-evaluation Plan After 2 Years to Determine if Any Adjustments Required
  - Objective Would Be to Reduce Outer Rate Adjustments if Warranted

CAPITAL CAPACITY CHARGES

- Capital Capacity Charge – Overview
- Development of Proposed Fees
- Capital Capacity Charge Comparison
- AGRF Charges
- Proposed Recommendations

Overview

- Capital Capacity Charge – Paid by New Development to Fund System Infrastructure Costs Allocated to Serve New Connections
- Existing Capital Capacity Charges in Effect Since 2017 – Approx. 8 Years
  - Last Reviewed in 2017
  - Growth was Marginal and Limited Capital Cost Escalation
- District is Now Experiencing Increased Capacity / Connection Requests
  - Immediate Need for Expansion-related Infrastructure Construction
- Significant Capital Cost Escalations for New Plant Construction – Primary Driver to Increase Capital Capacity Charges
  - Example => Since 2017, BLS Construction Material Index has Increased Over 45%

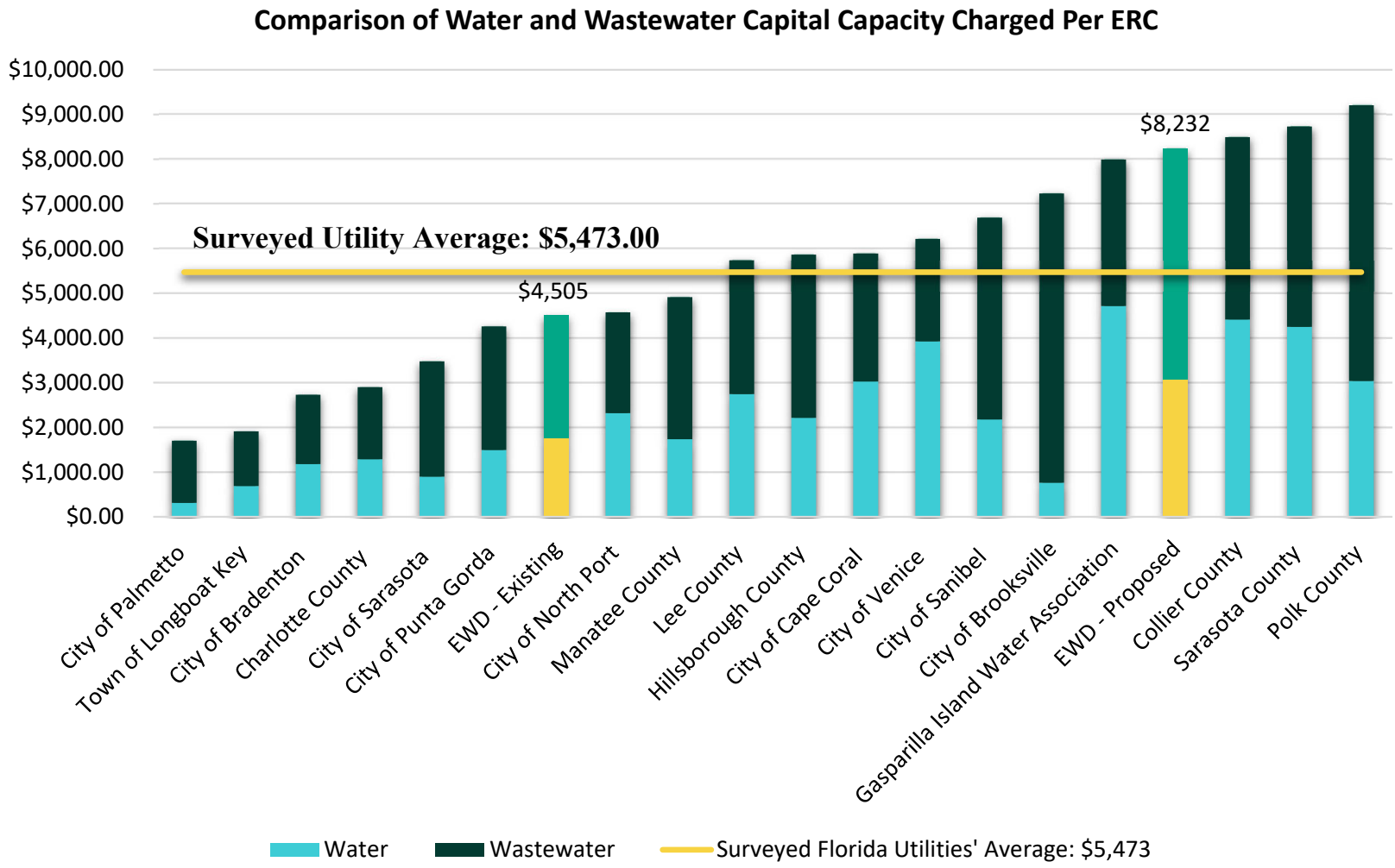
Recommended Capital Capacity Charges

- Proposed Capital Capacity Charges per ERC (Equivalent Residential Capacity For a Single Family Residential Unit)

	Water Capacity	Wastewater Capacity
Cost Component:		
Water Supply and Treatment	$2,375.36	$---
Wastewater Treatment and Disposal	---	4,313.15
Major Transmission / Conveyance	686.73	857.22
Total Calculated Fee	$3,062.09	$5,170.37
Recommended Fee (Rounded)	$3,062.00	$5,170.00
Existing Fee	$1,751.00	$2,754.00
Change in the Fee	$1,311.00	$2,416.00

	Water Distribution	Wastewater Collection
Existing Fee	$1,200.00	$5,817.00
Recommended Fee	$1,200.00	$5,817.00

Regional Fee Comparison with Other Jurisdictions



Accrued Guaranteed Revenue Fees (AGRF)

- Implemented AGRF Fees with the 2017 Rate Study
- Recover the Cost of Carrying Capacity in Advance of Connection
  - Fees paid at same time as Capital Capacity Charges
  - Capital Capacity Charges Recover pro rata Infrastructure Cost (Principal), AGRF Fees Recover Prior Period Financing Costs to hold capacity
  - Current AGRF Fees per ERC = $329 water / $580 wastewater
  - Proposed Fees – Recalibrates Fee Application Since New Facilities Being Constructed
    - Current Fee is Replaced with New AGRF Recovery – No Increase in AGRF Fee Until FY 2028

AGRF Schedule – Per ERC						
	FY 2026	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**Maximum Accrual after 2030**
Water	$76.50	$229.50	$382.50	$535.50	$688.50	$765.00
Wastewater	129.00	387.00	645.00	903.00	1,161.00	1,290.00
Total	$205.50	$616.50	$1,027.50	$1,438.50	$1,849.50	$2,055.00

- Fees Are Recommended to Not Be Indexed

Proposed Recommendations

- Adopt Proposed Capital Capacity Charges
  - Recover Increased Cost On Major System Infrastructure Necessary To Provide On-going Service And Allow For Future Connections
  - Fees Higher for Region but representative of Level of Similar fees charged by Jurisdictions with New Capacity Construction
- AGRF Fees Should Be Accrued Over A 5-year Period Beginning With Adoption Date Of Capital Capacity Charges
  - Will Result In Lower Initial Fee Charge (First 2 Years Of Accrual Period)
- Fees Are Recommended To Not Be Indexed
  - Fees Should Be Reviewed As Changes In Utility Plant Construction Are Fully Known Or Significantly Change

MISCELLANEOUS FEES

- Overview Discussion
- Existing and Recommended Fee Presentation
- Proposed Recommendations

Overview

- Recovers Cost for Specific Customer Requests Customary in the Industry
- Fee Review Included:
  - Meter Installation and Service Line Connection Charges
  - Customer Field and Service Charges (e.g., Turn-ons, Meter Test)
  - Fire Line Fees
  - Other Specific Requests
- Fees Were Last Updated With the 2017 Rate Study
  - Provides Additional Financial Resources to System
  - Reduces Need to Recover Costs from All Users via User Fees
- Proposed Rates – Recover the Direct and Allocated Cost of Service and Comparable to Industry

Meter and Service Line Installation Charges

Customer Services-Requested Fees		
	Existing	**Recommended**
District Installed Tap with Short Tap		
5/8” Meter	$1,255.00	$2,000.00
1” Meter	1,585.00	2,250.00
1 ½” Meter	2,080.00	3,500.00
2” Meter	2,335.00	4,200.00
District Installed Tap with Long Tap		
5/8” Meter	$1,970.00	$3,250.00
1” Meter	2,015.00	3,500.00
1 ½” Meter	2,910.00	6,400.00
2” Meter	3,160.00	7,000.00
Developer Installed Service & Box (Using District Provided Meters		
5/8” Meter	$340.00	$425.00
1” Meter	400.00	600.00
1 ½” Meter	520.00	1,050.00
2” Meter	615.00	1,400.00

Customer Field and Service Fees

Customer Services-Requested Fees		
	Existing	**Recommended**
Service Turn On or Off		
48-hour notice (1 on/1 off annually)	No Charge	No Charge
Additional with 48-hour notice	$30.00	$50.00
Less than 48-hour notice	$100.00	$100.00
After working hours and weekends	$100.00	$200.00
Holidays	$145.00	$300.00
Account Re-Activation (Lock Removal)		
Disconnection/turn-off non-payment	$30.00 / Trip	$50.00 / Trip
Re-connection/turn-on non-payment	$30.00 / Trip	$50.00 / Trip
Meter re-installation plus cost of new meter	$90.00	Remove Fee
Service Call Outs		
During regular working hours	$30.00 / Trip	$50.00 / Trip
After working hours and weekends	$100.00 / Trip	$200.00 / Trip
Holidays	$145.00 / Trip	$300.00 / Trip
Sewer Repair	Actual Cost	Actual Cost

Customer Field and Service Fees (cont'd.)

Customer Services-Requested Fees		
	Existing	**Recommended**
Testing / Inspections		
Un-certified fire flow test	$175.00 / Each	$200.00 / Each
Service tie-in (initial)	No Charge	No Charge
Service re-inspection	$30.00 / Each	$60.00
Sewer locate	No Charge	No Charge
Miscellaneous Fees		
New service application fee	$25.00	$50.00
Late payment	Min of $5.00 or 1.5% of total bill	Min of $5.00 or 1.5% of total bill
Additional meter or replacement	Actual Cost	Actual Cost; Minimum of $500.00
Meter test within tolerance	$185.00	$250.00
Sewer cap uncap	$30.00 / Each	$60.00 / Each
Special bill meter read	$30.00 / Each	$50.00 / Each
Clearing meter box obstructions	$30.00	Actual Cost; Minimum of $100.00
Credit card processing fee	N/A	2.5% of Bill

Customer Field and Service Fees (cont'd.)

Fire Line Fees		
	Existing	**Recommended**
Administration Fee	$500.00	$500.00
2-inch Meter	11.11	17.03
3-inch Meter	20.82	31.93
4-inch Meter	34.70	53.21
6-inch Meter	69.41	106.42
8-inch Meter	111.05	170.28
10-inch Meter	159.63	244.77
12-Inch Meter	298.45	457.62

Proposed Recommendations

- Miscellaneous Fees and Customer Service Practices are Customary in the Industry
- Recommend Adoption of the Proposed Fees
  - Proposed Fees are Based on the Estimated Cost to Perform/ Provided Customer-requested Services
- Proposed Fees Not Subject to Inflation Indexing
- Review proposed fees every 3 to 5 years

Study Presentation Conclusion

- Board Should Consider The Adoption Of The Rate Plan Prepared By Staff
- Consider Adoption Of Capital Capacity Charges And AGRF Fees To Recognize Capital Construction Market Conditions
- Consider Adoption Of Miscellaneous Fees And Charges To Recover Cost
- Board Should Re-evaluate The Rate Plan As More Information Is Known Regarding The Capital Program And Financing To Promote The Financial Position Of Utility

Questions and Discussion

