

# MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

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## Meridian Lake Park (MLP) Analysis

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# Agenda

- Study goals and background
- Proposed methodology
- Preliminary results
  - › Allocation proxies
  - › Recommended methodology
  - › Preliminary results and range of outcomes
- Discussion
- Next steps



# Study Goals

- Assess the financial relationship between Mt. Crested Butte (MCB) and the MLP service areas of the District
- Develop a methodology to assess this financial relationship that is fair and impartial to both parties
- Review historical data and apply developed methodology to quantify the “balance” between MCB and MLP
- Recommend a path forward to recover the “balance” due to or due from MCB and MLP customers including:
  - › Modified rate surcharges
  - › One-time assessment(s)
  - › Alternative approach to be determined



# Background

- In 1995, MLP and the District signed a Memorandum of Agreement (MOA)
- Major points of the MOA included:
  - › District to construct and operate a new water treatment plant for MLP
  - › District to construct conveyance infrastructure to transport MLP customer wastewater to the District's existing wastewater treatment plant (WWTP)
  - › District to issue bonds to fund all or a portion of the initial capital projects
  - › MLP water system would remain physically separate from the District's existing water system
  - › MLP would be responsible for repaying District for capital that only serves the MLP through surcharges applied to customers within MLP
- In 2013, the MOA was amended to include a cost sharing agreement for a capital project on a shared water storage asset

# Proposed Methodology Applied to 1996 through 2018

- Recognize that there is no perfect proxy and we are using available historical data to retroactively assess a 23-year period
- Define costs as:
  - › MCB only: Costs which do not directly benefit MLP customers
  - › MLP only: Costs which only directly benefit MLP customers
  - › Shared cost: Costs which directly benefit all District customers
- 3 practical proxies to allocate shared costs:
  - › Accounts
  - › SFEs
  - › Flows
- The allocation proxy will determine how shared costs are allocated
- Raftelis identified costs using fixed asset records and audited financial statements, historical accounts, Single Family Equivalents (SFEs) and flows
- Raftelis incorporated MLP customer revenues

# MLP Percentage of Use

- Average percentage of MLP to total District values from 1996 to 2018.
- Single percentage applied to all annual values from 1996 through 2018

	Accounts	SFEs	WTP Water Production
MLP Average Percentage of Use	13.0%	7.0%	5.2%



# Allocation Methods Compared

Method	Description	Advantage(s)	Disadvantage(s)	MLP Average Percentage of District Use (1996-2018)
<b>Accounts</b>	The use of the percentage of District accounts which are MLP accounts.	Rough proxy for some types of costs and accounts within the historical record.	May overstate MLP's cost allocation.	13.0%
<b>Single Family Equivalent (SFEs)</b>	Standardized method to estimate demand; one SFE is equal to 2,000 SF, including up to one kitchen, three bedrooms and two baths.	Provides greater precision based on existing available data.	Expected demand isn't always actual demand.	7.0%
<b>Water Production (Flow)</b>	Measures actual flow at MLP plant and Town water treatment plant.	Shows actual demands of two groups.	Incomplete historical record (only six years). Also, water usage doesn't always equate to wastewater usage.	5.2%



# Recommended Allocation Method Proxy by Cost Category

Cost Category	Recommended Allocation Methods
<b>Operating Costs</b>	
General & Admin	Accounts or SFEs
Water Operating	SFEs or Flow
Wastewater Operating	SFEs or Flow
<b>Capital Costs</b>	
MLP-only	N/A
Shared	SFEs or Flow
District-only	N/A





# Cumulative Cost Ranges for Recommended Allocation Methods

Cost Category	Low Allocation Method	High Allocation Method	Low		High
<b>Operating Costs</b>					
General & Admin	SFEs	Accounts	\$900,073	to	\$1,647,167
Water Operating	Flow	SFEs	1,085,613	to	1,169,175
Wastewater Operating	Flow	SFEs	804,615	to	1,029,174
<b>Capital Costs</b>					
MLP-only	N/A	N/A	5,161,437		5,161,437
Shared	Flow	SFEs	847,283	to	1,138,734
MCB-only	N/A	N/A	0		0
<b>Total Bond Payments (1)</b>	Flow	SFEs	2,706,051	to	2,824,295
<b>Total Costs / Balances</b>					
<b>Total MLP Revenues/Funding Sources (1996 – 2018) (2)</b>			8,503,531	to	8,596,007
<b>Total Allocated MLP Costs (1996 – 2018)</b>			<u>11,505,072</u>	to	<u>12,969,982</u>
<b>MLP Balance Range at the end of 2018</b>			<b>(\$3,001,541)</b>	<b>to</b>	<b>(\$4,373,975)</b>

(1) Series 1996 Water and Sewer Revenue Bonds issued for inclusion of MLP sub - District and Series 2001 Sewer GO Bond for WWTP expansion are anticipated to be retired in 2021.

(2) MLP revenues include revenues from the Series 2001 Sewer GO Bond issuance. The amount attributed to MLP depends on the allocation method, and whether it is allocated by Flow (low estimate) or SFEs (high estimate).

# Discussion



# Next Steps

1. Pause for 30 to 60 days to allow for MLP representatives (and customers) to review study findings and results and evaluate options for a path forward
2. Determine an equitable and fair approach to address the financial discrepancy created by the MOA so that the District and its MLP customers can move forward together in a financially sustainable manner



# Thank you!

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