2027 Preliminary Utility Rates
Finance Committee

September 17, 2026

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Overview

- Summary
- Tap Fees
- Capital Improvement Projects (CIPs)
- Preliminary Funding Strategy
- Operating Budget
- Preliminary Rates
- Utility Financial Evaluation
- CIP Details
- Next Steps for Rates

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Executive Summary

UTILITY CHALLENGES

- ❑ Tap fee revenue shifted to later years (2028-2031)
- ❑ Capital project costs increased (≈12%)
- ❑ Operating costs increased (≈7%)

UTILITY OPPORTUNITIES

- ❑ $19M Water financing
- ❑ $7M Wastewater financing
- ❑ Preliminary 2027 Rate Increases

Water	9.5%
Wastewater	15%
Stormwater	10%

CUSTOMER IMPACT

- ❑ Average residential bill: +$14.34/month (≈12%)

Water	$5.31
Wastewater	$8.05
Stormwater	$0.98

- ❑ Proposed rates remain competitive with comparison communities

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Change In Tap Fee Forecasting

PREVIOUS APPROACH
Development forecast supplied by Community Development reviewed by Public Works and Finance.

PROCESS CHANGE
Community Development determined that development forecasts are not sufficiently reliable for financial planning.

NEW APPROACH
Public Works developed a new forecast using population and buildout projections, with Finance review.

Tap-fee revenue shifts to later years, creating a near-term funding gap. The utility financial evaluation will review the forecasting approach.

Utility	2026	2027	2028	2029	2030	2031	6-yr Total
Water (Current 2027 Model)	**$1.5M**	**$3.1M**	**$6.1M**	**$3.1M**	**$2.9M**	**$2.9M**	**$19.6M**
Water (Prior 2026 Model)	$3.7M	$5.0M	$3.9M	$2.8M	$1.5M	$1.4M	$18.3M
Change	-$2.2M	-$1.9M	$2.2M	$0.3M	$1.4M	$1.5M	$1.3M
Wastewater (Current 2027 Model)	**$197k**	**$394k**	**$587k**	**$394k**	**$367k**	**$367k**	**$2.31M**
Wastewater (Prior 2026 Model)	$480k	$500k	$333k	$400k	$224k	$170k	$2.11M
Change	-$283k	-$106k	$254k	-$6k	$143k	$197k	$0.20M

- *The 2028 forecast was modified to include significant tap fees from the Redtail Ridge Development*

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Capital Budget Summary

6-yr CIP Total	Prior 2026 Model	Reductions	Increases	Moved Earlier	Current 2027 Model	Change
Water	$55.7M	-$0.4M	$7.4M	-	$62.7M	$7.0M
Wastewater	$14.4M	-	-	$2.0M	$16.4M	$2.0M
Stormwater	$7.4M	-	-	-	$7.4M	-

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Capital Budget Details

Water	Prior 2026 Model	Current 2027 Model	Change	Drivers
SCWTP Residual Solids Management	$5.7 M	$10.0 M	$4.3 M	Project complexity and inflation
SCWTP Admin Building	$2.3 M	$5.4 M	$3.1 M	Second story / additional area and inflation
Windy Gap	$10.0 M	$9.8 M	-$0.2 M	Revised budget projections from Northern Water
Water loops	$1.4 M	$1.2 M	-$0.2 M	Scope adjustment by staff
Total	$19.4 M	$26.4 M	$7.0 M	

Wastewater
- The $2.0M increase reflects moving planned spending into 2027 and 2028 from later years in the model.

Stormwater
- Placeholders for large stormwater CIPs have been included within the rate models for multiple prior years
- Adding these projects to the budget has a limited effect on projected rates

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Short-term Challenges

Without financing, current needs would require significant near-term rate increases

	Prior - 2026 Rate Model (proposed rate increases for 2027)	Estimated 2027 rate increases without financing
Water	11%	54% (+43%)
Wastewater	16%	132% (+116%)

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Preliminary Funding Strategy

Higher capital needs 〉 Near-term tap fee funding gap 〉 **Preliminary Financing Assumptions** **$19M – Water** **$7M – Wastewater** 〉 Avoid extreme near-term rate increases while maintaining the capital program

Utilize Colorado State Revolving Fund (SRF) – low rates, known and straightforward process (used in 2015)

	Water	Wastewater
Capital Changes	$7.0M	$2.0M
2026/27 Tap fee revenue shift to 2028 through 2031	$4.1M	$0.4M
Additional capital projects proposed for financing for lower rates today	$6.1M (RIP) $1.1M (Basins)	$3.7M (Solids) **$0.8M (Diffusers)?**
Preliminary Financing Amount	**≈$19M**	**≈$7M**

Before Authorization

- **Financing structure:** amount, term, interest rate, and timing
- **Financial impact:** annual debt service, fund balance, and coverage
- **Alternatives:** Finance fewer projects, with higher rates now and less debt to repay later. Diffuser project could have a lower life expectancy than finance terms

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Debt Service

Debt Service Coverage (DSC):
Ratio of net revenues
(operating revenue less operating expense)
to annual debt service payment

Target DCS above required minimum values
- Conservative approach to ensure legal DSC minimums are met even if revenue forecasts are not achieved
- Maintain or achieve higher credit ratings

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Debt Service Coverage

Minimum target represented by the combination of all three Utility Funds

Required DSC Ratio

Colorado Water Resources and Power Development Authority	1.10
2013 Water and Wastewater Enterprise Revenue Bonds	1.15

Dual Target DSC Ratio

Fund	w/o Tap Fees	with Tap Fees
Water	1.2	1.4
Wastewater	1.2	1.3
Storm	1.3	1.3[(1)]

(1) A tap fee for the Stormwater utility has not been established, therefore the dual target is not used

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Operating Budget

Utility	2026 Budget	Current 2027 Rate Model	Difference	Percent Change
Water	$5.84M	$6.31M	$0.47M	8%
Wastewater	$3.85M	$4.09M	$0.24M	6%
Stormwater	$0.63M	$0.65M	$0.02M	3%

Primary cost drivers

Water — Personnel +15% (≈$240k in Central Charges, ≈$66k new operations employee, ≈$44k annual pay increases); Benefits/Insurance +20% (≈$90k)

Wastewater — Personnel +9% (≈$175k in Central Charges); Electricity +26% (≈$90k) Benefits/Insurance +7% (≈$30k)

Stormwater — Personnel +2% (≈$10k); Benefits/Insurance +58% (≈$7k)

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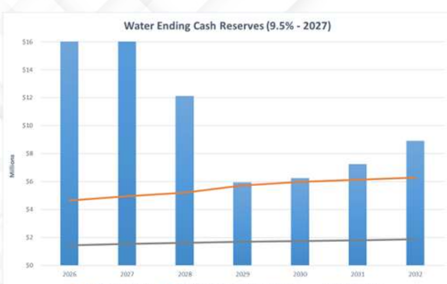
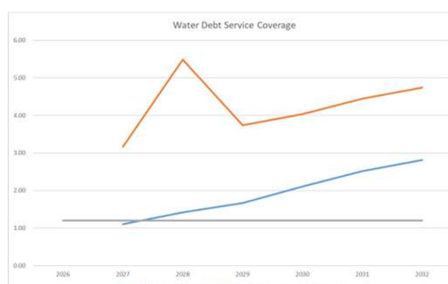
WATER: 9.5% with Financing

	2026	2027	2028	2029	2030	2031	2032
2026 Rate Model (prior 2026 Rate Model)							
	10%	**11%**	*12%*	*12%*	*10%*	*2%*	*2%*
2027 Preliminary Rates (current 2027 Rate Model)							
		9.5%	*9.5%*	*9.5%*	*9.5%*	*7%*	*5%*
Change							
		-1.5%	*-2.5%*	*-2.5%*	*-0.5%*	*+5%*	*+3%*





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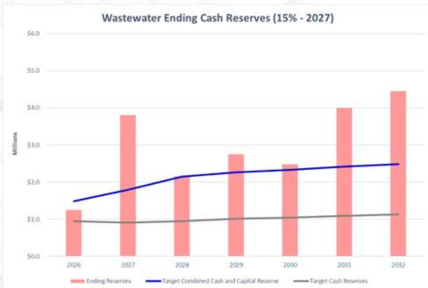
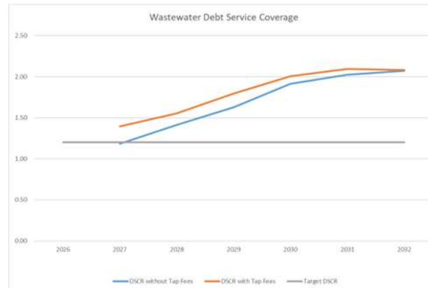
WASTEWATER: 15% with Financing

	2026	2027	2028	2029	2030	2031	2032
2026 Rate Model (prior 2026 Rate Model)							
	18%	**16%**	*11%*	*11%*	*11%*	*2%*	*2%*
2027 Preliminary Rates (current 2027 Rate Model)							
		15%	*10%*	*10%*	*10%*	*2%*	*2%*
Change							
		-1%	*-1%*	*-1%*	*-1%*	*-*	*-*





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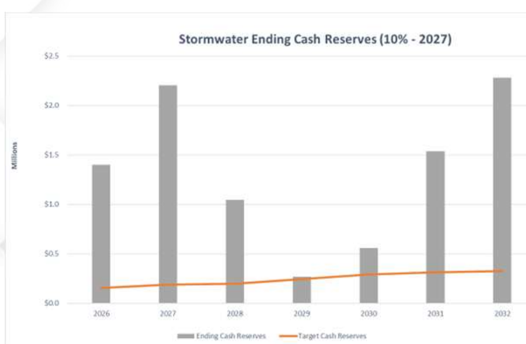
STORMWATER: 10%

	2026	2027	2028	2029	2030	2031	2032
2026 Rate Model (prior 2026 Rate Model)							
	13%	**12%**	*12%*	*0%*	*0%*	*0%*	*0%*
2027 Preliminary Rates (current 2027 Rate Model)							
		10%	*10%*	*10%*	*0%*	*0%*	*0%*
Change							
		-2%	*-2%*	*10%*	*-*	*-*	*-*



- Long-range stormwater CIP planning is underway. Cash above reserve targets will likely be allocated to capital projects planned for 2031 and 2032 as their scopes and costs are finalized.

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Past and Proposed Utility Rates

Utility	2020	2021	2022	2023	2024	2025	2026	*2027 - Proposed*
Water	0%	2%	0%	0%	6.5%	6%	10%	*9.5%*
Wastewater	0%	4%	4%	8%	12.1%	16%	18%	*15%*
Stormwater	0%	5%	5%	9%	14%	14%	13%	*10%*

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Average(1) Monthly Residential Bill

	Current 2026	Proposed 2027	Difference	Percent Increase
Water	$55.39	$60.70	$5.31	9.6%(2)
Wastewater	$53.40	$61.45	$8.05	15.1%(2)
Stormwater	$9.84	$10.82	$0.98	10%
Total	$118.63	$132.97	$14.34	12.1%

(1) Based on average usage of approx. 9,000 gallons. Actual bills will be dependent on usage and will vary based on seasonal fluctuation.
(2) Percent increases may differ slightly from the proposed rate percentages due to rounding

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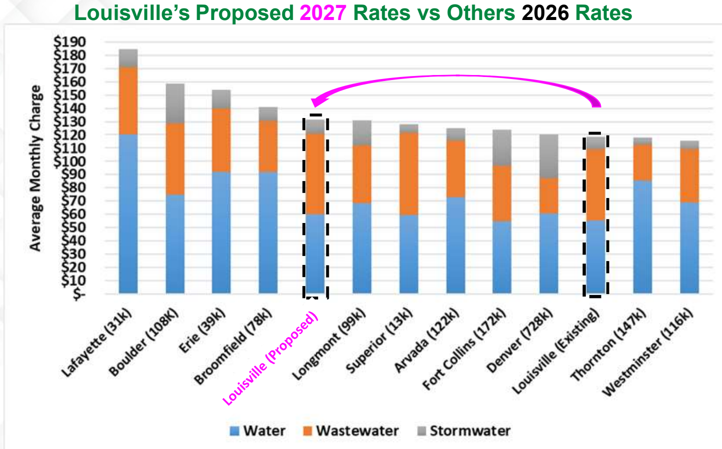
Average Monthly Residential Utility Bill

Louisville's Proposed 2027 Rates vs Others 2026 Rates



- *Based on average usage of approx. 9,000 gallons. Actual bills will be dependent on usage and will vary based on seasonal fluctuation.*

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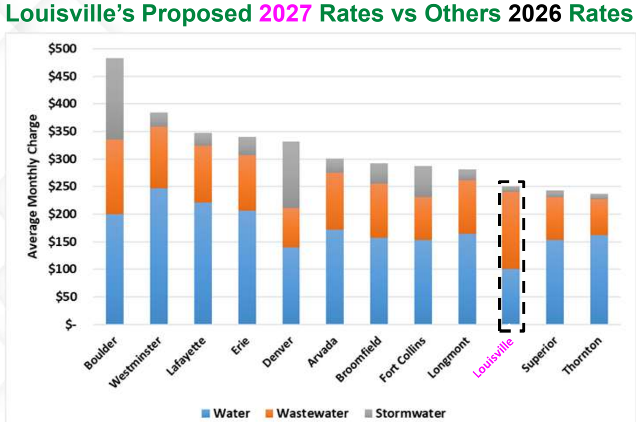
Example Monthly Commercial Utility Bill (1-inch meter: 280,000 gallons/yr)

Louisville's Proposed 2027 Rates vs Others 2026 Rates



- *This comparison illustrates one commercial customer profile. Actual bills vary based on meter size and usage.*

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Utility Financial Evaluation

JMCS Contract: **Council approved 9/15**

Task	Scope	Hours	Fee limit
1	Water, irrigation, and sewer tap fee study	94	**$23,500**
2	Cost-of-service studies	116	**$29,000**
3	Rate structure design and options	120	**$30,000**
4	Price elasticity and measurement plan	40	**$10,000**
5	Independent analysis and reconciliation	40	**$10,000**
6	Financial plan and capital funding review	72	**$18,000**
7	Public engagement and Council support	48	**$12,000**
8	Fee and ordinance crosswalk	16	**$4,000**
	Total (not to exceed)	**546**	**$136,500**

Target Completion: Q2 2027

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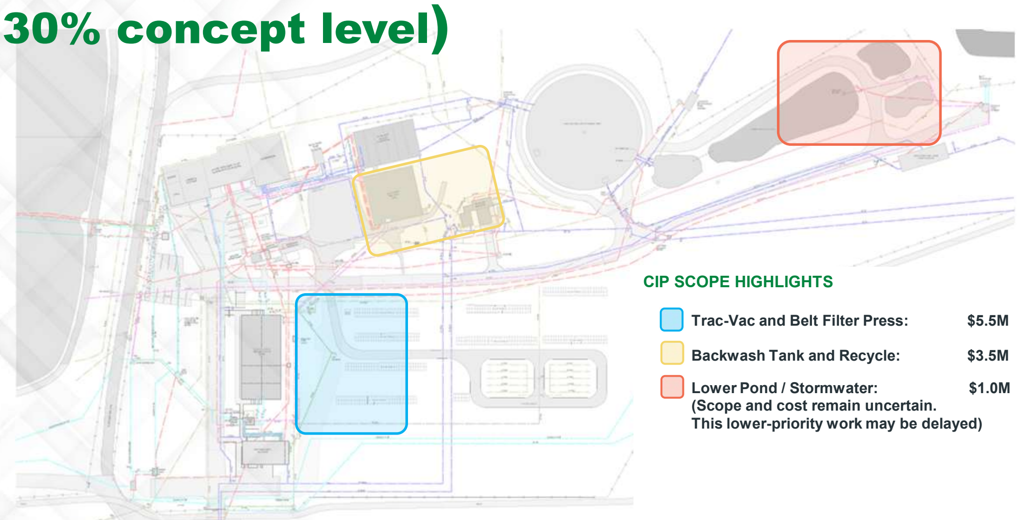
SCWTP Residual Solids Management
(30% concept level)



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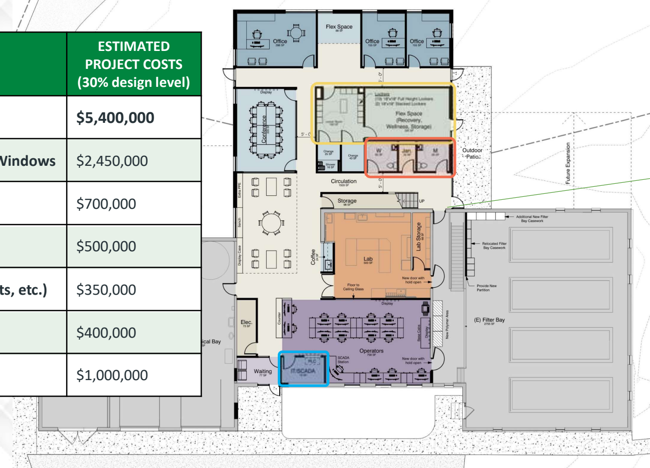
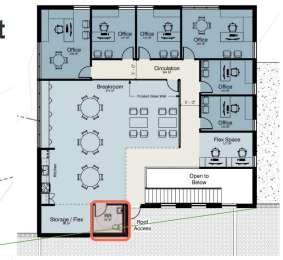
Admin Building

6,400 square feet of new space for a total of 14,100 sqft

CATERGORY	ESTIMATED PROJECT COSTS (30% design level)
Total	$5,400,000
Foundation, Walls, Doors & Windows	$2,450,000
Electrical & HVAC	$700,000
Plumbing	$500,000
Finishes (carpet, tiles, cabinets, etc.)	$350,000
Design (10%)	$400,000
Project Contingency (25%)	$1,000,000



FIRST FLOOR



SECOND FLOOR

CIP SCOPE HIGHLIGHTS

- Offices (2 to 9)
- Locker rooms
- Restrooms (1 to 3)
- Secure IT / SCADA room
- Operator Area (2 desks to 14)

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Next Steps for Rates

Direction requested today:

- Does the Finance Committee support continuing analysis using the preliminary rate path and financing assumptions?
- What alternative financing or rate scenarios should staff evaluate before Council consideration?

Staff next steps

Refine assumptions* → Finalize financing → Update rate model → Council consideration → Adoption / authorization

Continue updating assumptions as new information becomes available

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