

East Larimer County Water District
Board of Directors
Special Meeting

Tuesday - 3:30 P.M.

June 15, 2007

1. CALL TO ORDER

Loren Maxey, Chairman of the Board of Directors, called the meeting to order.

2. ROLL CALL

Directors Present: Loren Maxey, Vern Sunset, Ed Laudick,
Scott Baker, Randy Siddens

Directors Absent: none

Others Present: Mike Scheid, General Manager; Kathy Phipps, Administrative Manager and CFO; Carol Malesky, Andrew Rheem, and Fletcher Davis with Red Oak Consulting

3. RATE-MAKING WORKSHOP

A Special Board meeting was held on June 15, 2007. Representatives from Red Oak Consulting presented materials intended to clarify the process and elements involved in Plant Investment Fee Calculation, Financial Planning, and Cost of Service Rate Making.

Plant Investment Fees

Colorado Revised Statutes 29-20-104.5 provides the guiding principles for setting Plant Investment Fees. Case law concepts include rational nexus, rough proportionality and consistent application.

Three industry standard PIF calculation methods were discussed. ELCO currently uses a "hybrid" method. ELCO's PIF is comprised of a buy-in component for existing investment as well as an incremental component for future investment. The rate models developed and used by Red Oak will provide the Board with the highest fees that can be technically supported. The Board may choose to adopt a lower fee; however, growth does not pay for growth if a lower fee is adopted.

Financial Plan

The focus for the Financial Plan is long-term, typically ten years. The Financial Plan model uses a number of forecasting assumptions. Population growth by customer group is an important component. Revenue must be sufficient to meet O & M, debt service and capital

requirements as well as meet debt service coverage requirements and maintain a cash reserve. Although there are legal requirements that set the level of debt service coverage some entities choose a more restrictive level of coverage. Maintaining cash reserves insulates against unexpected events for the short-term. The typical target range is one to three months of cash O & M.

When this model is updated it will be used by District Staff to estimate revenue adjustments. Whether revenue adjustments are made “just-in-time” or in equal annual amounts is a policy decision to be made by the Board of Directors.

Cost of Service

The Cost of Service (COS) rate model allocates the system costs based on unique usage characteristics of each customer class. The rate is then designed to distribute costs of service equitably to each customer class and within each class. No class should subsidize another class.

Standards set by the AWWA and others support the underlying philosophy that water and wastewater utilities be self-sustained enterprises adequately financed with rates based on sound engineering and economic principles.

There are a number of objectives that may be achieved through the selection of a rate design. Red Oak Consultants outlined factors the ELCO Board will take into consideration when selecting a rate design.

4. OTHER BUSINESS

There was no other business to come before the Board.

5. ADJOURNMENT

At 5:30 p.m., as there was no other business to come before the Board, the meeting was adjourned.

Secretary

Approved: _____
President