



Stonegate Village Metropolitan District Inclusion Financial Analysis Peer Review

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Agenda

- Introduction
- Scope of Services
 - Information provided
 - Methodology
 - Findings / Limitations
 - Conclusions & Recommendations
- Questions

Introduction

- SAIC
 - Acquired R. W. Beck in 2009
 - 45,000 employees
 - Federal contractor, Water and Energy experts
 - Over 70 years of municipal / district experience
- Scott Burnham
 - Financial / Economic Analysis
 - 13 years experience
 - MBA, Masters of Public Affairs / Science
- Cortney Brand, P.G.
 - Technical and Economic Expertise
 - 16 years of experience
 - MBA, Masters of Geology
 - Former Castle Pines North Metro District Board member (2004-2008)

Scope of Services

- High-Level Peer Review
- Inclusion financial analysis prepared by StepWise
- Offer opinion regarding:
 - Appropriateness of analytical approach
 - Reasonableness of assumptions
 - Material comments on financial modeling
- Provide presentation to SVMD Board upon conclusion
- Did not include:
 - Verification of model mathematics
 - Verification of model assumptions / source data
 - Independent calculation of model results

Information Provided

- Model print-outs (PDF) of various scenarios from StepWise
 - Water and Wastewater (sewer) separated
 - SVMMD Alone
 - Parker Water Sanitation District (PWSD) Alone
 - Consolidated Utility
- Summary Information
 - Super Table – unit cost results
 - Average Cost Chart
- Draft and Final Presentations provided to SVMMD Board
- Series of meetings / correspondence with StepWise and SVMMD's management

Methodology

- Review cost determination
- Projection of cash flow statements for utility scenarios
- Identify and match
 - Total Utility Revenue Requirements
 - Required User Charge Revenue
 - Total Revenue Requirements less Total Non-Rate Related Revenue
 - Total Revenue Requirements
 - Operations and Maintenance
 - Annual debt service
 - Capital Projects
 - Change in Fund Balances

Methodology

- Non-Rate Related Revenue / Income
 - Other Revenues
 - Projected Debt Proceeds
 - Total Other Capital Inflows
 - Development Fees
 - Investment Earnings
- Super Table / Average Cost Chart
 - Projections of Units of Service
 - Water Demand
 - Sewer WWTP Inflow
 - Projections of Property Taxes
 - Not transferring ownership / long-term debt burden
 - “Legacy Tax Burden”

Findings / Limitations

- Economies of Scale
 - Increased customer base
 - Lower unit costs
- Key drivers of inclusion financial analysis:
 - PWSD already upgraded its wastewater treatment facilities
 - Existing SVMD wastewater treatment plant near end of useful life
 - Near-term costs required to secure renewable water supply for SVMD
 - Rueter-Hess “equalization” not included
 - Equalization lowers costs for Combined Utility case (benefit for inclusion would be better)
- StepWise Proprietary Model
 - Review limited to model print outs
 - Intellectual property
 - Standard in the industry

Conclusions & Recommendations

- StepWise inclusion financial analysis
 - Based on appropriate analytical techniques
 - Reasonable assumptions
 - Minor errors (labeling)
 - Not material to analysis
- Recommendations
 - Update models with revised WISE cost projections
 - Potentially increasing SVM D Alone case
 - Could increase PWSD and Consolidated utility cases

Questions / Comments?