



BOARD OF TRUSTEES
January 18, 2022
6:30 PM

Leeper Center, 3800 Wilson Avenue, Wellington, CO

Work Session Agenda

Individuals that attend the meeting in person will be required to wear a face covering while in attendance.

The Zoom details below are for online viewing and listening only.

Please click this URL to join.

<https://us06web.zoom.us/j/86314216604?pwd=aW03THhqWlpseE1UeFBjTitDWCtrZz09>

Passcode: 138143

Or One tap mobile:

+17207072699,,86314216604# US (Denver)

+12532158782,,86314216604# US (Tacoma)

Or join by phone:

US: +1 720 707 2699 or +1 253 215 8782 or +1 346 248 7799

Webinar ID: 863 1421 6604

A. ITEMS

1. 2022 Water and Sewer Rates Discussion

- Presentation: Meagan Smith, Deputy Public Works Director

The Town of Wellington will make reasonable accommodations for access to Town services, programs, and activities and special communication arrangements. Individuals needing special accommodation may request assistance by contacting at Town Hall or at 970-568-3380 ext. 110 at least 24 hours in advance.



Board of Trustees Meeting

Date: January 18, 2022
Submitted By:
Subject: 2022 Water and Sewer Rates Discussion

- **Presentation: Meagan Smith, Deputy Public Works Director**

EXECUTIVE SUMMARY

A presentation of the current and historical conditions of the Water and Sewer Utility, including a discussion of potential new rates.

BACKGROUND / DISCUSSION

This item was originally presented to the Board of Trustees (BOT) on October 26, 2021, where the Board's direction was to solicit additional community feedback on the proposed rates. As a result, the Resident Rate Roundtable (RRR) was created to offer feedback to the BOT, primarily about the upcoming sewer rate changes. The RRR, assisted by staff, held four work sessions in December and January and presented their feedback to the Board on January 11, 2022. The RRR's recommendations were insightful and have been used to revise previous rate recommendations. The updated recommendations are provided with the presentation for additional discussion.

In general, the currently proposed water rate adjustments are based on work performed in early 2021. That work culminated in a presentation to the BOT on October 26, 2021 with a potential rate adjustment consisting of no changes to the base rate, the creation of a compressed tier structure, and a 27% increase in the tier rates. Currently proposed water rate options are based on the work done in early 2021 and include rate scenarios with and without compressed tiers, and with and without a potential \$653,000 transfer from the General Fund to the Water Fund.

The currently proposed sewer rate adjustments are a continuation of work performed throughout 2021 and are heavily influenced by outcomes of the RRR. The proposed options include one scenario with a stepped increase to both the base and usage rate and one scenario with a commitment of tranche two of the expected American Recovery Plan Act (ARPA) funding (~\$1,300,000). All sewer rate scenarios assume a 30-year loan term and a \$390,000 transfer from the General Fund to the Sewer Fund.

The proposed Water and Sewer rate adjustment scenarios are discussed at length in the attached presentation material.

STAFF RECOMMENDATION

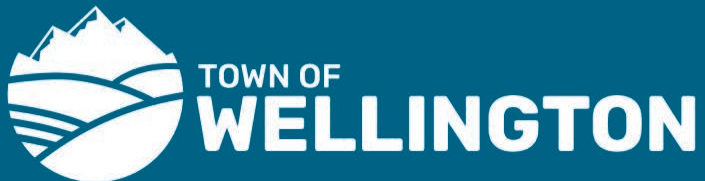
Provide discussion and feedback on the proposed water and sewer rates.

ATTACHMENTS

1. Water and Sewer Rates Discussion

Water and Sewer Rates

Work Session - January 18, 2022
Revised Presentation





Background

Town of Wellington Water and Sewer Utilities



Wellington Water/Sewer Utility – An Overview

- Wellington wisely created a water/sewer utility in the 1960's
 - Allows residents to align water utility services with Town goals
 - Ensures Town viability into the future
 - Creates local accountability
- Treatment plant expansions are planned in anticipation of growth
 - Capacity must always exceed demand
 - Demand increases with current and future growth
 - Comprehensive Plan and Utility Masterplans are closely aligned
 - Long range planning is a must!



Wellington Water/Sewer Utility – An Overview

- Utilities function like a non-profit
 - Must be self-sustaining
 - Funding sources
 - Rates paid by current customers
 - Impact fees paid by developers and homebuilders
 - Loans and grants
 - Expenses
 - Operations and maintenance
 - Capital improvements
- Financial health of the Utility is critical
 - Fund balance policies
 - Rigorous accounting practices
 - Continuous monitoring
 - Regular periodic rate and impact fee adjustments

Water Treatment Plant Expansion Project

- Town goals for the project
 - Eliminate liquid discharge (required by the State)
 - Improve taste & odor
 - Increase capacity for future growth
- Design philosophy for both expansion projects
 - Take the long view – Avoid future surprises
 - Design for future expansion now to prevent wasted dollars later
 - Align with Town Strategic Plan, Comprehensive Plan, and other Utility Masterplans

60 % Design Cost Estimate

Delivered - \$31,071,719

90% Design Cost Estimate

Expected February 2022

Construction Contract Award

March 2022

Begin Construction

June 2022

**Complete construction and
start-up plant**

Mid 2024

Wastewater Treatment Plant Expansion Project

- Town goals for the project
 - Capacity must align with Water Treatment Plant Expansion
 - Meet newer, more stringent compliance standards
 - 2020 C.R.S 25-5-608: subject to civil penalties up to \$54,833/day/violation

90% Design Cost Estimate

Received Jan. 7, 2022 - \$49,029,172

Continued Value Engineering

Estimate after value engineering to date
\$47,290,507

Construction Contract Award

Expected February 2022

Begin Construction

Mid 2022

Complete construction and start-up plant

Mid 2024



Water Rates

Historical and Proposed

Historical Water Rates

Historical Water Usage Rates and Tiers				
Year	Base Rate	Tier 1 0-14K gal	Tier 2 15-29K gal	Tier 3 30K+ gal
2021	\$66.00	\$4.56	\$5.70	\$7.72
2016 - 2020	\$18.86	\$3.65	\$3.93	\$4.94
2015	\$18.23	\$3.38	\$3.64	\$4.57
2014	\$17.63	\$3.16	\$3.38	\$4.27
2013	\$14.50	\$2.93	\$3.17	\$4.04
2011 - 2012	\$13.94	\$2.71	\$2.93	\$3.74
2006 - 2010	\$19.13	\$2.90	\$3.48	\$3.70
1992 - 2005	\$16.50	\$2.30	\$2.75	\$3.50

Water Rate Increases

- Most recent rate changes
- October 2020 – Resolution No. 34-2020
- January 2021 – Resolution No. 44-2020
- July 2021 – Ordinance No. 06-2021
 - Increased Water Impact Fee \$5,500→\$7,750

Recent Water Rate Increases			
	2016 - 2020	October 2020	January 2021
Base Rate	\$18.86	\$35.00	\$66.00
Tier 1 (\$/1,000 gal)	\$3.65	\$4.56	\$4.56
Tier 2 (\$/1,000 gal)	\$3.93	\$5.70	\$5.70
Tier 3 (\$/1,000 gal)	\$4.94	\$7.72	\$7.72

Proposed Water Rate Scenarios

- Includes American Recovery Plan Tranche 1 - ~\$1.3M
 - Approval to use in the Water Fund - Nov 9, 2021 Board of Trustees regular meeting

Scenario 1A

- Existing tier structure; 54% increase to usage rates

Scenario 1B

- Existing tier structure; 40% increase in usage rates; \$653K GF* transfer TO Water Fund

Scenario 2A

- Compressed tier structure; 25% increase to usage rates

Scenario 2B

- Compressed tier structure; 15% increase to usage rates; \$653K GF* transfer TO Water Fund

Proposed Water Rates

Proposed Water Usage Rates and Tiers								
	Scenario	Base Rate	Tier 1	Tier 2	Tier 3	Avg Winter Water Bill	Avg Summer Water Bill	2022 Revenue Surplus/Deficit
0	Existing Tier Structure Existing Rates	\$66.00	0-14K gal \$4.56	15-29K gal \$5.70	30K+ gal \$7.72	\$84.24	\$111.60	(\$1,124,366)
1A	Existing Tier Structure New Rates (+54%)	\$66.00	0-14K gal \$7.02	15-29K gal \$8.78	30K+ gal \$11.89	\$94.08	\$136.20	(\$462,336)
1B	Existing Tier Structure New Rates (+40%) GF Transfer	\$66.00	0-14K gal \$6.38	15-29K gal \$7.98	30K+ gal \$10.81	\$91.52	\$129.80	\$19,026
2A	Compressed Tier Structure New Rates (+25%)	\$66.00	0-3K gal \$6.16	4-6K gal \$7.70	7K+ gal \$10.42	\$92.18	\$149.26	(\$474,521)
2B	Compressed Tier Structure New Rates (+15%) GF Transfer	\$66.00	0-3K gal \$5.24	4-6K gal \$5.56	7K+ gal \$8.88	\$87.28	\$133.92	\$27,480

Proposed Water Rates REVISED

Proposed Water Usage Rates and Tiers REVISED									
	Scenario	Base Rate	Tier 1	Tier 2	Tier 3	Avg Winter Water Bill (4K gal)	Avg Summer Water Bill (10K gal)	2022 Revenue Surplus/ Deficit	2023 Revenue Surplus/ Deficit
0	Existing Tier Structure Existing Rates	\$66.00	0-14K gal	15-29K gal	30K+ gal	\$84.24	\$111.60	\$278,464	(\$1,419,516)
			\$4.56	\$5.70	\$7.72				
1A	Existing Tier Structure New Rates (+54%)	\$66.00	0-14K gal	15-29K gal	30K+ gal	\$94.08	\$136.20	\$940,494	(\$688,636)
			\$7.02	\$8.78	\$11.89				
1B	Existing Tier Structure New Rates (+40%) GF Transfer	\$66.00	0-14K gal	15-29K gal	30K+ gal	\$91.52	\$129.80	\$1,421,856	(\$878,124)
			\$6.38	\$7.98	\$10.81				
2A	Compressed Tier Structure New Rates (+25%)	\$66.00	0-3K gal	4-6K gal	7K+ gal	\$90.23	\$143.09	\$939,918	(\$700,611)
			\$5.70	\$7.13	\$9.65				
2B	Compressed Tier Structure New Rates (+15%) GF Transfer	\$66.00	0-3K gal	4-6K gal	7K+ gal	\$88.28	\$136.92	\$1,441,919	(\$866,402)
			\$5.24	\$6.56	\$8.88				

NOTE: Non-residential water rates (last update effective Dec 1, 2021) will be updated to reflect the Tier 1 rate adopted for residential water rates.



Sewer Rates

Historical and Proposed

Historical Sewer Rates

- 2016 – Ordinance No. 08-2016
 - Last increase to base or usage rate
- July 2021 – Ordinance No. 06-2021
 - Increased Sewer Impact Fee \$7,500→\$9,700

Historical Sewer Base and Usage Rates		
Year	Base Rate (0-3K gal)	Usage Rate (4K+ gal)
2016 - 2021	\$20.63	\$6.50
2015	\$19.63	\$6.25
2012 - 2014	\$17.98	\$5.30
2011	\$15.63	\$4.25
2007 - 2010	\$13.61	\$3.75

Outreach – Sewer Rates/Plant Expansion



Events

Sewer Rate Open House
Budget Boo-nanza



Engagement

Resident Rate Roundtable
SRF Loan Public Hearing
Update presentations to
the Board of Trustees



Communication

Social media updates
Newsletter
Webpage resources
WWTP Expansion/SRF
Loan video



Resident Rate Roundtable Recommendations

Values: Community, Good Steward, Transparency, Planning, Equity

- **Maximize Fiscal Creativity**
 - Options exploring short and long-term solutions
 - Evaluate General Fund transfers IN and OUT of the Sewer Fund
 - Explore ways to limit impact now through the loan term - Done
- **Rates & Fees**
 - Incremental rate increases
 - Annually evaluate rates
 - Equitable impact to residential and commercial customers
- **Community Involvement**
 - Continue offering opportunities to engage and inform
 - Annually evaluate rates
 - Equitable impact to residential and commercial customers
 - Promote resources and fund HUG program
 - Implement water conservation program



Proposed Sewer Rate Scenarios and Assumptions

- Base assumptions
 - \$48M loan principle; 30-year loan term ^{*}; 2.25% interest rate
 - \$390K transfer from General Fund ^{*}
 - 5% annual increase to base and usage rate for subsequent 5 years ^{*}
 - Shortfall in Town required fund balance reserve policy (110% of annual debt service) ^{*}
 - Up to 15% deficit; Up to 4 consecutive years
- Scenario 1 – Base assumptions
 - Year 1 - Base rate increase of \$20.37 (New base rate = \$41.00)
 - Year 1 - Usage rate increase of \$5.50 (New usage rate = \$12.00)
- Scenario 2 – Base assumptions with stepped increase ^{*}
 - Year 1 - Base rate increase of \$11.37 (New base rate = \$32.00)
 - Year 1 - Usage rate increase of \$3.50 (New usage rate = \$10.00)

^{*} Indicates action recommended by the Resident Rate Roundtable



Proposed Sewer Rate Scenarios and Assumptions

- Base assumptions
 - \$48M loan principle; 30-year loan term ^{*}; 2.25% interest rate
 - \$390K transfer from General Fund ^{*}
 - 5% annual increase to base and usage rate for subsequent 5 years ^{*}
 - Shortfall in Town required fund balance reserve policy (110% of annual debt service) ^{*}
 - Up to 15% deficit; Up to 4 consecutive years
- Scenario 3 – Base assumptions with Tranche 2 of ARPA to Sewer Fund
 - Year 1 - Base rate increase of \$17.37 (New base rate = \$38.00)
 - Year 1 - Usage rate increase of \$4.00 (New usage rate = \$10.50)
- Scenario 4 – Base assumptions with stepped increase and Tranche 2 of ARPA to Sewer Fund
 - Year 1 - Base rate increase of \$9.37 (New base rate = \$38.00)
 - Year 1 - Usage rate increase of \$2.50 (New usage rate = \$10.50)

^{*} Indicates action recommended by the Resident Rate Roundtable

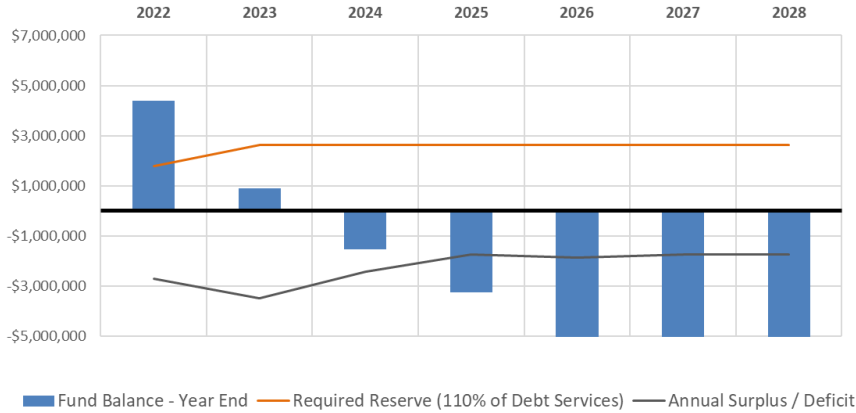
Proposed Sewer Rates

Potential Sewer Base Rates and Usage Rates					
	Scenario	Year	Base Rate (0-3K gal)	Usage Rate (4K+ gal)	Avg Sewer Bill (4Kgal)
0	Existing Rates	2022	\$20.63	\$6.50	\$27.13
1	Base Assumptions	2022	\$41.00	\$12.00	\$53.00
		2023	\$43.05	\$12.60	\$55.65
		2024	\$45.20	\$13.23	\$58.43
2	Base Assumptions Stepped Increase	2022	\$32.00	\$10.00	\$42.00
		2023	\$45.00	\$13.00	\$58.00
		2024	47.25	13.65	\$60.90
3	Base Assumptions ARPA Tranche 2	2022	\$38.00	\$10.50	\$48.50
		2023	\$39.90	\$11.03	\$50.93
		2024	\$41.90	\$11.58	\$53.48

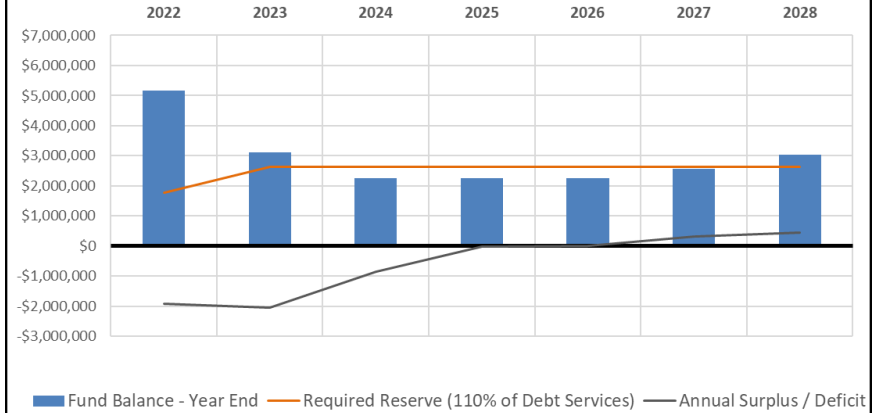
Proposed Sewer Rates REVISED

Potential Sewer Base Rates and Usage Rates					
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1	Base Assumptions	2022	\$41.00	\$12.00	\$53.00
		2023	\$43.05	\$12.60	\$55.65
		2024	\$45.20	\$13.23	\$58.43
2	Base Assumptions Stepped Increase	2022	\$32.00	\$10.00	\$42.00
		2023	\$45.00	\$13.00	\$58.00
		2024	47.25	13.65	\$60.90
3	Base Assumptions ARPA Tranche 2	2022	\$38.00	\$10.50	\$48.50
		2023	\$39.90	\$11.03	\$50.93
		2024	\$41.90	\$11.58	\$53.48
4	Base Assumptions ARPA Tranche 2 Stepped Increase	2022	\$30.00	\$9.00	\$39.00
		2023	\$40.00	\$12.00	\$52.00
		2024	\$42.00	\$12.60	\$54.60

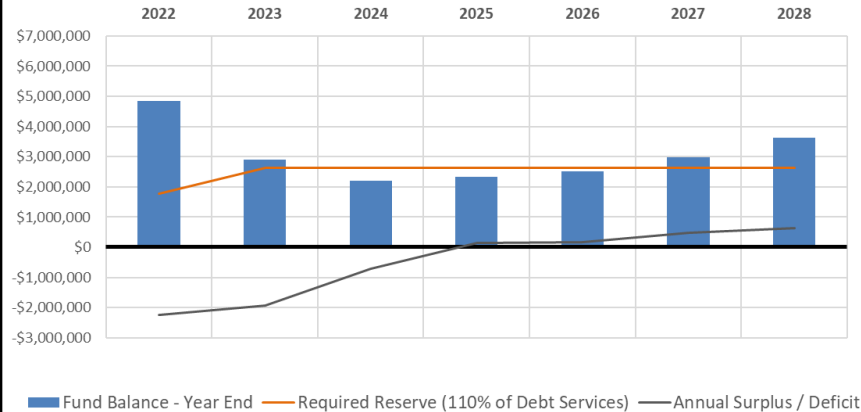
Scenario 0 - Sewer Utility Projected Rate Performance



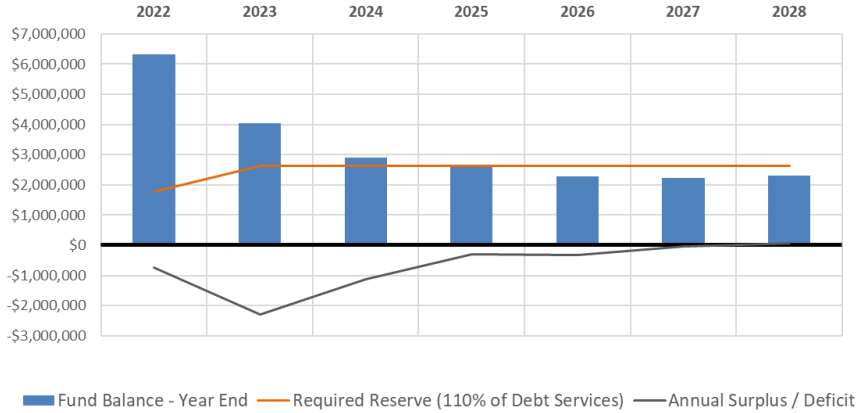
Scenario 1 - Sewer Utility Projected Rate Performance



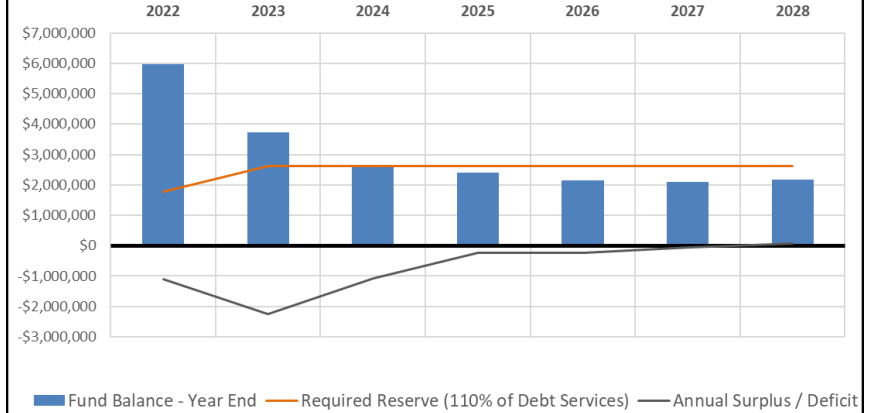
Scenario 2 - Sewer Utility Projected Rate Performance



Scenario 3 - Sewer Utility Projected Rate Performance



Scenario 4 - Sewer Utility Projected Rate Performance





Path Forward

- Adjust Rates as needed to ensure Enterprise Fund and Utility financial health no later than February 8, 2022
- Prepare a new Rate Study for the Enterprise Funds
 - Engage consultant to prepare comprehensive rate study in 2022
 - Evaluate administrative transfers for 2023 *
 - Ensure equitable impact to residential and commercial customers *
 - Plan annual updates into the future *
- Support and Promote Hardship Utility Grant (HUG) *
 - Program is funded in 2022
- Continuous Community Involvement and Engagement *
 - Continue and improve opportunities to engage and inform
- Continue to Implement the Water Efficiency Program *
- Continue the Search for other Financial Solutions *

* Indicates action recommended by the Resident Rate Roundtable



Rate Adoption Timeline

- October 2021 – Utility Rate Presentation to Board of Trustees
- Nov-Dec 2021 – Resident Rate Roundtable
- January 11 – SRF Loan Public Hearing
- January 18 – Board of Trustees Work Session
- January 25 – Board of Trustees Regular Meeting, Public comment and possible adoption
- February 8 – Board of Trustees Regular Meeting, Adoption
- March 4 – SRF Loan approval at Colorado Water Resources and Power Development Authority Board meeting
 - Loan requirement - Rate Ordinance prior to March 4