



# Water Treatment Plant Updates and Rate Discussion

City Council Meeting – May 17, 2022

City Staff Representatives: **Catrina Asher, Finance Director**  
**Marc Johns, Interim Utilities Director**



**STRATEGIC FOCUS AREAS**



*Financially Responsible*



*Supportive, Sustainable Infrastructure*

## Purpose

- To propose a reset of water rates to 2019 levels, adjusted for inflation.
- To propose the implementation of a Water Treatment Plant Fee to finance the non-growth related costs of the project.
- To propose enhancements to the Water Assistance Program.
- To provide City Council with an update on the status and upcoming milestones for the Water Treatment Plant.



# Proposal #1: Reset of 2019 Water Rates



## History

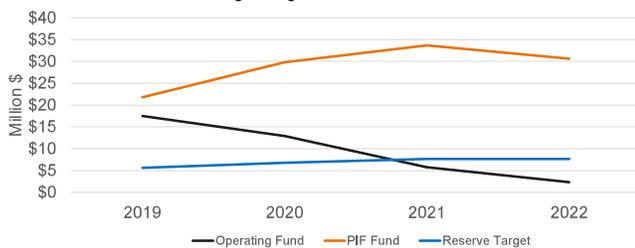
2018 - 2019

- Staff and Council identified concerns that planned projects were not being completed.
- A forensic audit was conducted, overseen by a resident committee.
  - Resulted in recommendations around budgeting practices, which have been implemented.
- Stantec was hired through competitive procurement process to build a rate model.
- Various options were evaluated including leaving rates flat for several years or reducing rates temporarily to spend down reserves.
- November 2019, City Council approved on Final Reading an Ordinance reducing water rates by 8%, effective 2020.



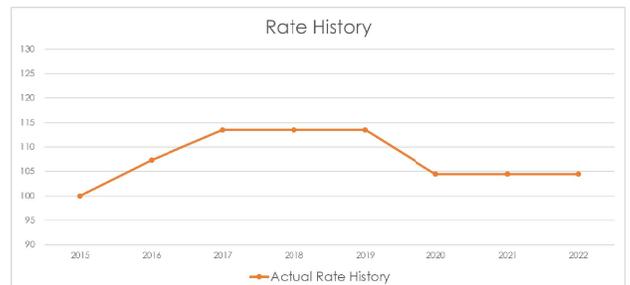
## Fund Financial Results 2019 -2022

Beginning Fund Balances



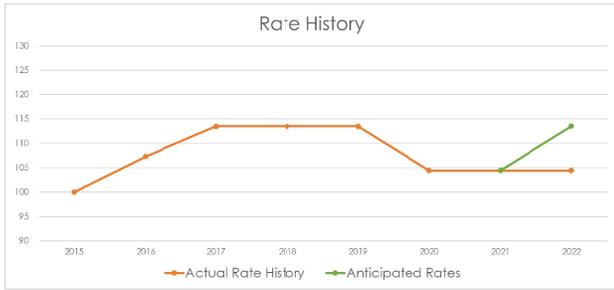
## Water Rate History

Rate History

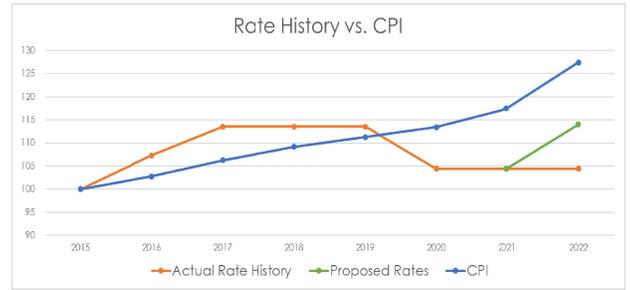




## Water Rate History



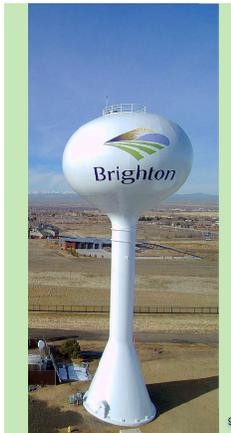
## Water Rate History



## Staff Recommendation #1

Reset water rates to 2019 levels, adjusted for inflation, effective July 2022

Effective Rate Increase - 9.11%



## Proposal #2: Water Treatment Plant Fee



## History

### 2019 - 2021

- Current Water Treatment Plant is 25 years old and identified as being near end of life, resulting in increased maintenance costs and eventual need for replacement.
- City water usage continued to grow, exceeding the capacity of the current Water Treatment Plant on multiple occasions.
- City Council approved the award of a contract to Brown & Caldwell for the design of an expanded Water Treatment Plant, proposing adding 4 MGD.

### 2022

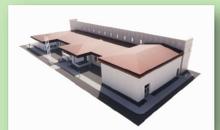
- January 25<sup>th</sup> – Staff presented Council with options for Water Treatment Plant expansion. Options had similar costs but different outcomes for capacity. Staff moved forward with the 20 MGD plant design, including updating the rate model.
- April 26<sup>th</sup> – City Council and Staff did a virtual walkthrough of the proposed plant and reviewed cost and rate implications.



## Water Treatment Plant Project Overview

### Plant Enhancements

- Project timeline
  - Groundbreaking – July 2022
  - Completion – July 2025
- Increase capacity from 10MGD to 20MGD
- Provide water treatment capacity through 2045
- Eliminate costly brine discharge
- Eliminate dependence on Denver/Thornton water
- Utilize the newest water treatment technology



Water Treatment Plant Conceptual Designs

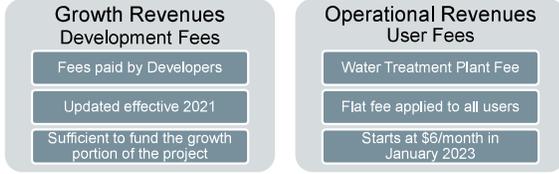




## Water Treatment Plant Project Overview

### Financing

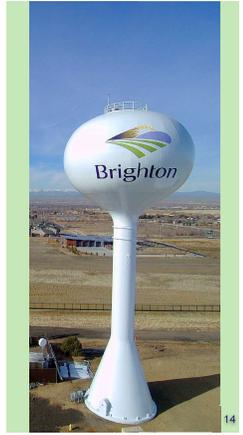
- Project cost - \$155 million
- Funded through debt issued in two phases (2022 and 2024)
- Debt paid by a combination of Growth and Operational Revenues



## Staff Recommendation #2

**Implement a Water Treatment Plant Fee, effective January 1, 2023, starting at \$6/month.**

**Adopt now in order to better position the City to borrow funds for the project.**



## Summary of Rate Recommendations



## Water Rate Proposal

### July 2022 – Rate Reset 9.11%

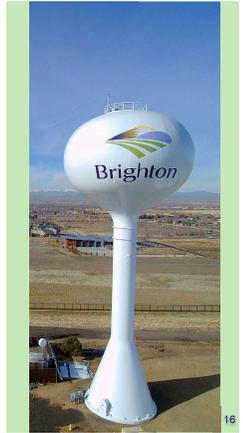
- Reset rates to 2019 levels, adjusted for inflation

### January 2023 – Water Treatment Plant Fee

- Flat monthly fee based on customer group and historical usage ratios
- Rate starts at \$6/month for Single Family Home (3/4 inch meter)

### Future Adjustments (to be evaluated annually)

- 2024 – 5%
- 2025 and thereafter – 2.5% - 3.5%



## Customer Impact Analysis

Single Family Home 3/4 inch meter	Current Average Bill	July 2022 9.11%	January 2023 \$6/month	Total Change per month
Winter Usage 4,000 Gallons	\$ 27.19	\$ 29.67	\$ 35.67	\$ 8.48
Summer Usage 14,500 Gallons	\$ 76.86	\$ 83.86	\$ 89.86	\$ 13.00

Average Household Impact – Approximately \$10/month



## Proposal #3: Enhancements to the Customer Assistance Program



## Water Assistance Program

### Current Program

- Available to income qualified customers
- One time assistance of \$300/customer
- Funded at \$50K annually

### Proposed Enhancements

- Increase support per customer from \$300 to \$500 annually
- Increase total funding from \$50K to \$100K annually
- Program expansion to residents paying via rent or HOA



**Priority**  
Keep essential use  
affordable

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## Staff Recommendation #3

**Increase Water Assistance Program from \$300 to \$500 annually.**



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## Project Milestones

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## Key Milestones

### May 17 – City Council Meeting

- First Reading - Ordinance for Rate Reset and Water Treatment Plant Fee
- First Reading - Ordinance for Water Assistance Program

### June 7 – City Council Meeting

- Final Reading - Ordinance for Rate Reset and Water Treatment Plant Fee
- Final Reading - Ordinance for Water Assistance Program
- Resolution for Bond Reimbursement
- Water Treatment Plant Construction Contract

### July 26 – Groundbreaking Ceremony

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## Options for Council Consideration

- Approve the ordinances for water rates and the water assistance program adjustments as presented.
- Reject the proposed ordinances and request that staff explore additional options.

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