



WESTMINSTER

Staff Report

TO: The Mayor and Members of the City Council

DATE: May 10, 2006

SUBJECT: Study Session Agenda for May 15, 2006

PREPARED BY: J. Brent McFall, City Manager

Please Note: Study Sessions and Post City Council meetings are open to the public, and individuals are welcome to attend and observe. However, these meetings are not intended to be interactive with the audience, as this time is set aside for City Council to receive information, make inquiries, and provide Staff with policy direction.

Looking ahead to next Monday night's Study Session, the following schedule has been prepared:

A light dinner will be served in the Council Family Room 5:30 P.M.

CONSENT AGENDA

None at this time.

CITY COUNCIL REPORTS

- 1. Report from Mayor (5 minutes)
2. Reports from City Councillors (10 minutes)

PRESENTATIONS

- 1. Water and Wastewater Rate Review - Attachment
2. Council Procedures with Lyle Sumek - Verbal 6:00 P.M.

EXECUTIVE SESSION

None at this time.

INFORMATIONAL ITEMS - Does not require action by City Council

- 1. Annual COG and Volunteer Appreciation Barbecue Event
2. Monthly Residential Development Report

Additional items may come up between now and Monday night. City Council will be apprised of any changes to the Study Session meeting schedule.

Respectfully submitted,

[Handwritten signature of J. Brent McFall]

J. Brent McFall
City Manager



WESTMINSTER

2006-91

Staff Report

City Council Study Session Meeting
May 15, 2006



SUBJECT: Water and Wastewater Rate Review

PREPARED BY: Jim Arndt, P.E., Director Public Works and Utilities

Recommended City Council Action

Direct Staff to prepare an Ordinance to adjust water rates by 4.12% and sewer rates by 12% in 2007, and by 2.74% and 6.50% in 2008. Also, listen to the utility rate forecast presentation outlining long-term rate strategies for the City of Westminster.

Summary Statement

- FCS Group was contracted to develop a long-term rate forecasting model and a series of financial and economic analyses.
- The replacement value of the utility system is between \$800,000,000 and \$1,000,000,000 and there is about \$230,000,000 of estimated depreciation needs.
- Water rates are recommended to be increased 4.12% in 2007 and 2.74% in 2008. Sewer rates are recommended to increase 12.0% in 2007 and 6.50% in 2008. The combined increase is 6.92% in 2007, and 4.06% in 2008.
- Sewer rates are being adjusted more significantly reflecting recent major infrastructure investments including \$44 million for the expansion and upgrade of the Big Dry Creek Wastewater Treatment Facility.
- The combined increase for the 2007 monthly average single family home is \$3.59.
- New rates, tap fees and existing capital reserves will help buffer new rate increases until 2015, when rates will cover all operational and capital costs of the system.

Expenditure Required: \$0

Source of Funds: N/A

Policy Issue

Should the City adopt water and sewer rates for 2007 and 2008 and concur with the long-term rate strategy to fully fund capital replacement for the water and wastewater utilities?

Alternatives

1. Do not approve the 2007, 2008 rates or rate strategy to fully fund capital replacements.

By doing so, the City will under fund the utility infrastructure that stores, treats, and conveys water and wastewater. Under funded and deteriorating infrastructure can lead to excessive maintenance costs, system unreliability, and reduce the City's flexibility in reacting and providing for new and changed land uses.

2. Provide partial increased rates for 2007, 2008, and some aspects of the long-term rate strategy.

The City is at a critical juncture in addressing its infrastructure needs. Under a separate ongoing infrastructure study, the City's estimated replacement costs for its utility infrastructure is between \$800,000,000 to \$1,000,000,000. The current estimated replacement liability is estimated at over \$230,000,000. Without fully endorsing a policy (as recommended) that will, over ten years, include all replacement costs within rates, the sustainability of the infrastructure would be questionable. The acceleration of the current \$230,000,000 liability increases rapidly without a firm plan to meet all operational and capital needs of the system within an adopted long-term rate strategy.

In order to provide system sustainability, Staff does not recommend either Alternative 1 or 2.

Background Information

The City contracted with FCS Group to develop a long-term rate forecasting model and conduct a series of financial and economic analyses relevant to its water and wastewater utilities. In combination with an Infrastructure Master Plan Update performed by URS Consulting, the City will have an updated study of the physical condition of the utility infrastructure and a funding plan to sustain the system.

Preliminary information regarding the infrastructure and financial review has been received. Specifically, the replacement value of the system is between \$800,000,000 - \$1,000,000,000; the estimated depreciation of the system is approximately \$230,000,000; immediate needs include additional water tank storage; redistribution of some pressure zones; pump station and lift station improvements; sewer line work on interceptors; aggressive pipe replacement program; and replacement of water meter and transponders citywide.

As a part of funding strategy and utility forecast model, FCS has recommended various fiscal policies, budget/rate objectives, long-term rate strategies and financial performance standards. As part of the long term rate strategy, FCS has recommended 2007 and 2008 water rate increases of 4.12 and 2.74%, and sewer rate increases of 12.0 and 6.50%, respectively. Rate increases would continue with more moderate, but on-going increases through 2015. The stated goal is to ensure that rates, over a nine year period ending in 2015, are increased to fully fund all operating and capital costs.

In 2007, if recommended increases are adopted, average monthly water rates for a single family residence will increase \$1.42 and sewer will increase \$2.17 (total increase of \$3.59). This is a

combined increase of 6.92%. The 6.92% increase would result in rates that are \$1.58 per month higher than the current average of 11 surrounding cities' 2006 rates (eight of the eleven cities have indicated they are considering rate increases for 2007, but have not yet determined the amount).

Rate increases, the recently approved tap fee increases, and significant available capital reserves will allow the City to begin to aggressively deal with the current system deficiencies. It is estimated that the approximate \$5,000 tap fee increase recently passed by Council will generate an additional \$70,000,000 in new tap income through build out. Capital reserve levels, anticipated at near \$30,000,000 in 2006, are the result of payback of outstanding WEDA loans, Adams County reimbursement of unused Westminster water, significant downsizing of the 2005 and 2006 CIP (projects removed from the CIP list until the URS infrastructure study is complete), high number and amount of tap fees collected, and under expenditure of operation budgets.

Proposed rate increases for 2007 and 2008 are not insignificant. However, adoption of these rates will allow the City to keep pace with the depreciating system and provide sustainability well into the future. The inter-relatedness of rates, tap fees, and current capital reserves are blended together and are the basis of the proposed rate increases. That said, there are likely questions that may come to mind such as:

- Are the rate increases equitable to current rate payers?

In essence, raising rates now begins to recapture the utility system use today's ratepayers have enjoyed in the past. The depreciated liability of \$230,000,000 represents what has been "used" and not yet replaced.

- How did raising tap fees affect the proposed rates?

By increasing the tap fees for new services, new users pay for actual costs and contribute significant resources toward the capital needs otherwise funded by rates. The increased tap fees represent an estimated \$70,000,000 source of cash for capital. Over the estimated 20 – 30 years to build out, this represents an annual average of \$2 - \$3.5 M that does not have to be included in rates for capital replacement.

- How does the proposed 2007 increase compare with previous rate increases adopted by the City?

The proposed combined increase of 6.92% for 2007, and 4.06% for 2008, will result in a two year increase of 11.27%. The increases can be compared to other two year increases:

<u>Year</u>	<u>Combined Water, Sewer Two Year Increase</u>
2007, 2008 (proposed)	11.3%
2005, 2006	8.5%
2003, 2004	5.3%

- Do we need rate increases given that we have such large reserves?

The reserves accumulated are the result of revenues received that have not been expended toward capital and replacement. As the infrastructure study and system depreciation confirm, the City is falling behind in keeping up with the system needs. Without use of reserves, very large rate increases would be immediately necessary, rather than phasing increases through 2015.

SUBJECT: Water and Wastewater Rate Review

May 15, 2006

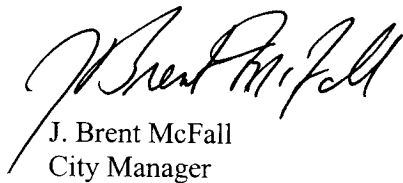
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- What happens if we “slow down” or reduce, rate increases?

We increase the risk of not meeting our needs, resulting in less service reliability, increased maintenance costs, an ever increasing liability in infrastructure capital costs that would threaten sustainability, as well as create a deteriorated financial position for future debt financing. All of these could lead to excessive and inequitable costs for future users of the system.

FCS Group principal Ed Cebron and staff will be at the May 15 Study Session to discuss FCS findings and respond to questions regarding the utility rate forecast.

Respectfully submitted,



J. Brent McFall
City Manager

Attachment



WESTMINSTER

Staff Report

Information Only Staff Report
May 15, 2006



SUBJECT: Annual COG and Volunteer Appreciation Barbecue Event

PREPARED BY: Pamela Mayhew, Volunteer Coordinator

Summary Statement:

This report is for City Council information only and requires no action.

The annual volunteer and Community Oriented Governance (COG) appreciation barbecue event has been scheduled for Thursday, August 10, 2006 from 5:30 pm to 8:00 pm. The barbecue will be held on the courtyard of City Hall and music will be provided by a disc jockey. The event will be catered by Hoke's BBQ and a facepainter will be available for the children's entertainment. Staff has also invited the Senior Hub, Mile High Humane Society, Have a Heart and Casa of Adams and Broomfield Counties non-profit organizations to showcase their volunteer programs. Each year a small gift is given to each volunteer in attendance. This year the gift is a small waist pack and travel size rain poncho.

Background Information

Since 1992, the City has held an annual volunteer appreciation barbecue sponsored by the City's Volunteer Program. To reduce duplication of services, in 2003 COG merged its annual picnic with the volunteer appreciation barbecue. This combined event gives Council and Staff the opportunity to say thank you to citizens actively volunteering in City programs and participating in COG. Invitations will be sent to City Council, all boards and commissions, volunteers and their families, volunteer supervisors and COG participants. It is anticipated that over 500 of the 1100 citizens invited will attend.

The impact of volunteers on services provided in Westminster is considerable. In 2005, volunteers dedicated their time having an estimated value of \$1.1 million to support Westminster programs.

Respectfully submitted,


J. Brent McFall
City Manager



WESTMINSTER

Staff Report

Information Only Staff Report
May 15, 2006



SUBJECT: Monthly Residential Development Report
PREPARED BY: Shannon Sweeney, Planning Coordinator

Summary Statement:

This report is for City Council information only and requires no action by City Council.

- The following report updates 2006 residential development activity per subdivision (please see attachment) and compares 2006 year-to-date totals with 2005 year-to-date figures through the month of April.
- The table below shows an overall decrease (-27.9%) in new residential construction for 2006 year-to-date compared to 2005 year-to-date totals.
- Residential development activity so far in 2006 reflects decreases in single-family detached (-29.4%) and single-family attached (-22.2%), and no change in multi-family or senior housing development when compared to last year at this time.

NEW RESIDENTIAL UNITS (2005 AND 2006)

UNIT TYPE	APRIL		% CHG.	YEAR-TO-DATE		% CHG.
	2005	2006		2005	2006	
Single-Family Detached	12	10	-16.7	68	48	-29.4
Single-Family Attached	0	0	0.0	18	14	-22.2
Multiple-Family	0	0	0.0	0	0	0.0
Senior Housing	0	0	0.0	0	0	0.0
TOTAL	12	10	-16.7	86	62	-27.9

Background Information

In April 2006, service commitments were issued for 10 new housing units within the subdivisions listed on the attached table. There were a total of 10 single-family detached and no single-family attached, multi-family, or senior housing utility permits issued in April.

The column labeled “# Rem.” on the attached table shows the number of approved units remaining to be built in each subdivision.

Total numbers in this column increase as new residential projects (awarded service commitments in the new residential competitions), Legacy Ridge projects, build-out developments, etc. receive Official Development Plan (ODP) approval and are added to the list.

Respectfully submitted,



J. Brent McFall
City Manager

Attachment

ACTIVE RESIDENTIAL DEVELOPMENT

Single-Family Detached Projects:

	Mar-06	Apr-06	2005 YTD	2006 YTD	# Rem.*	2005 Total
Asbury Acres (94th & Wadsworth Bl.)	0	0	2	0	0	4
Bradburn (120th & Tennyson)	3	0	10	3	130	22
CedarBridge (111th & Bryant)	0	0	0	0	6	0
Country Club Highlands (120th & Zuni)	0	0	0	0	118	0
Huntington Trails (144th & Huron)	1	2	0	4	206	0
Legacy Ridge West (104th & Leg. Ridge Pky.)	0	0	31	1	8	43
Lexington (140th & Huron)	0	0	0	0	5	0
Meadow View (107th & Simms)	0	1	2	1	8	5
Park Place (95th & Westminster Blvd.)	6	0	0	6	93	1
Ranch Reserve (114th & Federal)	0	0	1	0	2	1
Ranch Reserve II (114th & Federal)	2	2	0	4	0	5
Ranch Reserve III (112th & Federal)	0	0	0	0	1	0
Various Infill	3	1	0	4	14	2
Village at Harmony Park (128th & Zuni)	6	4	22	25	16	82
Winters Property (111th & Wads. Blvd.)	0	0	0	0	8	0
Winters Property South (110th & Wads. Blvd.)	0	0	0	0	10	0

SUBTOTAL

<i>21</i>	<i>10</i>	<i>68</i>	<i>48</i>	<i>625</i>	<i>165</i>
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Single-Family Attached Projects:

Alpine Vista (88th & Lowell)	0	0	0	0	84	0
Bradburn (120th & Tennyson)	12	0	18	12	31	25
CedarBridge (111th & Bryant)	0	0	0	0	2	0
Cottonwood Village (88th & Federal)	0	0	0	0	72	0
East Bradburn (120th & Lowell)	0	0	0	0	117	0
Highlands at Westbury (112th & Pecos)	0	0	0	0	71	25
Hollypark (96th & Federal)	0	0	0	0	20	0
Legacy Village (113th & Sheridan)	0	0	0	0	94	0
Summit Pointe (W. of Zuni at 82nd Pl.)	0	0	0	0	58	0
Sunstream (93rd & Lark Bunting)	2	0	0	2	20	2
Walnut Grove (104th & Wadsworth Pkwy.)	0	0	0	0	66	0

SUBTOTAL

<i>14</i>	<i>0</i>	<i>18</i>	<i>14</i>	<i>635</i>	<i>52</i>
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Multiple-Family Projects:

Bradburn (120th & Tennyson)	0	0	0	0	54	0
Mountain Vista Village (87th & Yukon)	0	0	0	0	24	0
Prospector's Point (87th & Decatur)	0	0	0	0	29	0
South Westminster (East Bay)	0	0	0	0	64	0
South Westminster (Harris Park Sites I-IV)	0	0	0	0	12	0

SUBTOTAL

<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>183</i>	<i>0</i>
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Senior Housing Projects:

Covenant Retirement Village	0	0	0	0	32	0
Crystal Lakes (San Marino)	0	0	0	0	7	0

SUBTOTAL

<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>39</i>	<i>0</i>
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TOTAL (all housing types)

35	10	86	62	1482	217
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* This column refers to the number of approved units remaining to be built in each subdivision.