

**City of Westminster City Council Study Session  
September 12, 2006**

Mayor McNally called the Study Session to order at 6:35 PM. All Council was in attendance.

City Staff in attendance included: Assistant City Manager Steve Smithers (Acting City Manager); City Attorney Marty McCullough; Finance Director Tammy Hitchens; Director of Public Works & Utilities Jim Arndt; Financial Analyst Bob Byerhof; Public Information Specialist Carol Jones; Assistant to the City Manager Barbara Opie; Utilities Operations Manager Rick Clark; Senior Engineer Mike Wong; Water Resources & Treatment Manager Mike Happe; Assistant City Attorney Jane Greenfield; Accountant Gary Newcomb; Accounting Manager Cherie Sanchez; and Administrative Secretary Melissa Salazar.

The guests in attendance were Evie Hemphill with the Westminster Window; Tim Volz and Tom Mueller of URS Consulting Engineers; Ed Cebon of the FCS Group; and Jane Fancher.

**Water and Sewer Infrastructure Master Plan**

The Water and Sewer Infrastructure Master Plan (IMP), along with the Utilities Financial Policies, help the City achieve the Strategic Goals of “Financially Sound City Government,” “Vibrant Neighborhoods and Commercial Areas,” “Balanced, Sustainable Local Economy,” and “Safe and Secure Community.” The City entered into a contract with URS in the fall of 2005 to assess the current condition of both water and wastewater infrastructure and chart a strategy to construct improvements to ensure a sustainable infrastructure. The URS “Summary Report of the Infrastructure Master Plan” highlights findings of the system and costs to keep up with the use of the system. 20-year costs are estimated at over \$357,000,000 for water and \$87,000,000 for wastewater infrastructure.

Jim Arndt, PWU Staff and Tim Volz and Tom Mueller of URS Consulting Engineers were present to discuss the recommendations contained in the report that were incorporated into the Utility Fund Fiscal policies and into the five year capital improvement plan that City Council is currently reviewing for adoption in October.

Council concurred with Staff’s recommendation to utilize the data in this report for capital planning purposes.

**Fiscal Policies – Utility Reserves**

Ed Cebon with Financial Consulting Solutions group, Inc., Jim Arndt and PWU staff were present to give Council information and recommendations and to answer any questions regarding the Fiscal Policies and Utility Reserves.

City Council has adopted revised tap fees and 2007, 2008 utility rates to ensure sustainability of operations and infrastructure. Adoption of Reserve policies is the final piece of the financial study performed by FCS Group. Key concepts are explained in the background section of this Staff Report as these provide the context for the implementation and interrelatedness of tap fees, rates, and reserve policies. Operating Reserves (OR) provide a “cushion” to cover balance fluctuations. It is recommended that Operating Reserves be established at 45 days and 30 days, respectively, for water and wastewater operating expenses. Rate Stabilization Reserves (RSR) are recommended to be established at 25% of water revenue and 5% of sewer revenue. Rate adjustments would only occur when the balance falls below 80% of the target. Excess reserves over 40% of the target would be transferred to the Capital Projects Reserve, until the maximum Reserve is exceeded, at which time a rate reduction would occur. Capital Project Reserve (CPR) maximum shall be capped at three years of adopted CIP costs. Funding

the CPR should come from rates, debt, and tap fees. If the CPR falls below \$5,000,000, rate increases, increased debt or CIP reduction would be necessary.

Council was generally in support of the Staff recommendations, but will provide final direction at the budget retreat.

Mayor McNally adjourned the Study Session at 8:00 pm to go into Executive Session to discuss the contract to lease water to Federal Heights and a proposed economic development incentive agreement.