WESTMINSTER
COLORADO

Complete the Discussion of Water Costs & Rates, Discussion of Sewer Costs & Rates, Discussion of Next Steps

Special Study Session #4

Christine Gray

Tuesday, December 15, 2020

Discussion of Water & Wastewater – Schedule, Tasks

Meeting Number	Date	Topics for Discussion	Status?
Special Study Session #1	10/8/20	• Setting the Stage • Community Participation • Water and Wastewater Infrastructure – System Focus	• Completed • Started • Started
Special Study Session #2	10/20/20	• Continuation of Water and Wastewater Infrastructure – System Focus • Meter Replacement Project discussion • Community Engagement follow up discussion	• Completed • Completed • Deferred to December
Special Study Session #3	11/5/20	Water Costs and Rates	• Started
Special Study Session #4	11/17/20	Water Costs and Rates-complete Sewer Costs and Rates	• Tonight
Special Study Session #5	12/15/20	Options and Issues	

Themes in Community Comments/Concerns

- Meters (accuracy, changes to measurement, increased cost)
- Overall rates and comparison to other areas
- Tier III rate, impacts on owners of large lots
- Billing periods (variability, length, impact on monthly bills)
- PWU available financial resources, whether rate increases are needed
- Numbers of taps, how they affect rates (growth and development)
- Impacts of hot summer weather on usage and rates

Additional Themes in Community Comments/Concerns

- Preference for regular billing cycles
- Preference for billing based on actual gallon usage
- Request to make customer usage data available faster
- Concern about customer portal access for customers without computers / smartphones
- Concern about asset management database system
- Request to complete rates discussion and outreach before next irrigation season
- Appreciative of information provided through workshop presentations
- Offer to volunteer on community advisory / focus group

When Topics of Concern

Infrastructure – October 8 & October 20

- Meters – were discussed as part of the overall infrastructure presentation on October 20th

Water Costs/Rates

- Overall rates and comparisons to other cities
- Billing periods
- PWU resources and the $100M-clarify.
- Numbers of taps affecting rates (growth and development) clarify

Water Costs/Rates (complete discussion) + Sewer Costs/Rates – TONIGHT November 17

Policy and Options Discussion (December 15)

- Rates generally (and relationship to all the above topics)
- Impacts of weather on usage and rates

City Council Interests

- Protect public health safety
- Provide sustainable, efficient, and reliable water infrastructure
- Ensure affordability/lower water rates that offer a better quality of life (and do not force people to choose water over other vital costs of living)
- Conservation
- Balance structural needs with resident pricing
- Invest in a reasonable and responsible manner
- Ensure equity and that people pay their fair share
- Focus on duty of care
- Create a plan that provides for a safe, clean, and dependable water system that meets current and future needs of Westminster
- Build a strong foundation for the next generation and invest in infrastructure for the future
- Help people who are hurting financially with their water bills
- Prevent failure that could impact residents and businesses
- Ensure water quality
- Understand how much water Westminster has for complete build out

Here's the Path for Our Discussion

Staff presentation on evening's topics	Council questions	Council discussion
• Answering Council questions from interviews • New approach to sharing the information • Unpacking of assumptions and expectations	• Clarifying questions to ensure we all have the same understanding • Identification of questions that weren't answered for staff to circle back	• Have your questions on this topic (if you had them) been answered? • What thoughts do you have about this information? • *We aren't making policy recommendations or decisions at this time.*

A WORKSHOP *DISCUSSION!*

Use first names: Let's talk to each other as people, not jobs, titles, and positions.

Assume good intentions: Everyone wants to do what's right for the city and its residents.

Acknowledge the range of views: Reasonable people can disagree about how to solve a problem.

Be optimistic: People who disagree can (and regularly do) solve problems anyway!

Ask questions: Work to understand the issue and how others understand it, not to convince anyone of your own opinion.

Disagree with civility:

- "That's not how I understand it." vs "That's wrong."
- "I remember that differently." vs "That's not what happened."

Be open and creative.

- What if?
- Could we?
- Yes, if!
- ~~No, because…~~

Additional Themes in Community Comments/Concerns

- Water rates not affordable – lower rates and increase the tiers
- Stop making a profit

Meeting #4 Will Complete the Water Discussion and Include the Sewer Discussion

- Format is to respond to the questions identified in the Process Proposal
- Ask questions and provide comments –we will pause for questions and discussion

What Were Your Questions about Water?

- How are water costs calculated? What is included in the cost amount that is associated with charter and funding mandates? If water infrastructure upgrades/repairs/replacements are included in those costs, please separate them.

Costs = operating expenses + debt service payments + capital improvement projects (CIP) + financial policy commitments. All are included in charter and funding mandates.

- Are water rates the same as the City's costs to produce and deliver clean water? If not, what are the additional elements that drive or determine water rates? If so, what (if any) water infrastructure upgrades/repairs/replacements are included?

Rates include current + future: operating, debt service payment & CIP costs + financial policy commitments.

What Were Your Questions About Water?

- Is there a difference between basic maintenance repairs and capital repairs for water infrastructure? Where's the line between O&M and capital? What determines that line?

Basic maintenance = <$20,000 asset value or as part of in-house work. In the Operating budgets

CIP projects = >$20,000 asset value. In the CIP budgets.

- Which of the elements that determine water costs & water rates are relatively constant and which are more variable and why?

Debt service and operating budget costs are relatively constant.

CIP costs can be both.

What Were Your Questions About Water?

- Which of these elements can the City control or influence? Which elements are out of the City's control? Why?

There are many elements that are in City control. We'll tell you more in detail in further slides. Look for the stars.

What Were Your Questions About Water?

- What “blue sky thinking” has staff done about ways to reduce costs to produce and deliver clean water in the short and long terms? What other ideas have you generated and discarded?

We have lots of current practices, ideas and discarded options, more in that question.

- What “blue sky thinking” has staff done about ways to increase or diversify revenues in the short and long terms? Other than raising rates, what ideas have you generated and discarded?

We have lots of current practices, ideas and discarded options, more in that question.

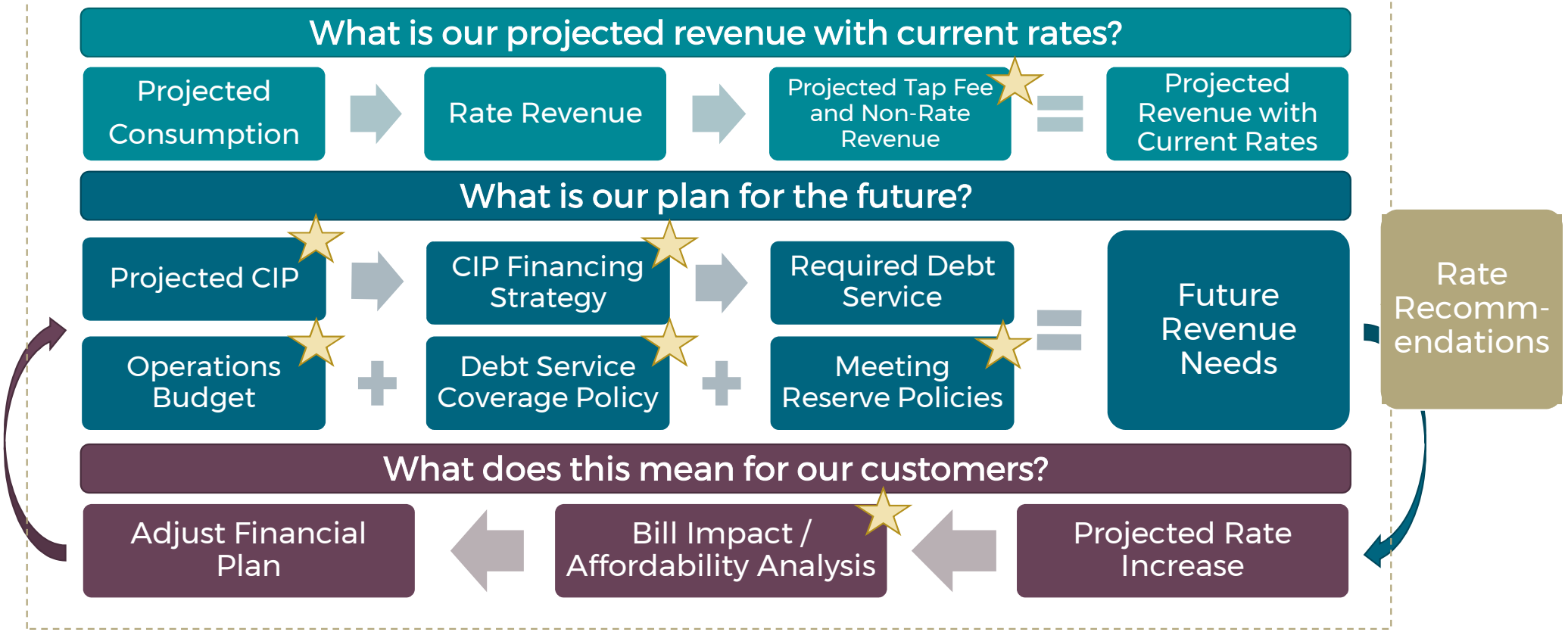
Question: Why is it difficult to say how much it costs to provide 1,000 gallons of clean drinking water? What are the variables that make it challenging? What's the range of costs?

1,000 gallons of water delivered to any/all customers = $7.92/kgal in 2020.

Why challenging:

- Which 1,000 gallons? The 1st? The 14,000th? The 100,000th?
- Which customer type?

How Are Water Rates Calculated?



Deep Dive Information - WATER

What is a Utility?

- An organization that provides a service such as electricity, gas, water
- Some of these are provided through the municipality, some through another entity
- The City's three Utilities include:

These utilities are owned by City on behalf of our rate payers.

What is an Enterprise?

Colorado's Constitution defines an enterprise as....

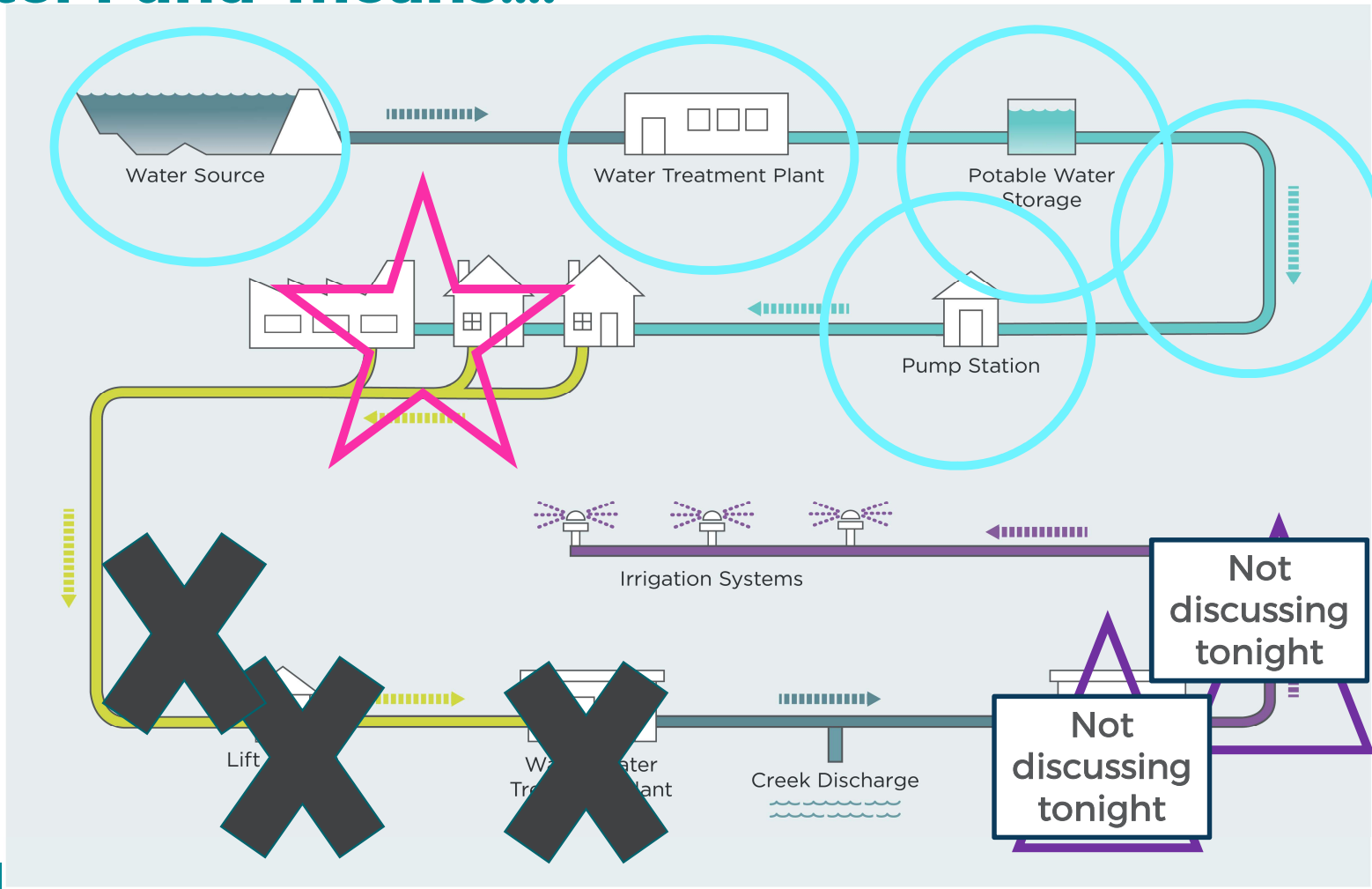
"...government-owned business authorized to issue its own revenue bonds and receiving under 10% of annual revenue in grants from all Colorado state and local governments combined."

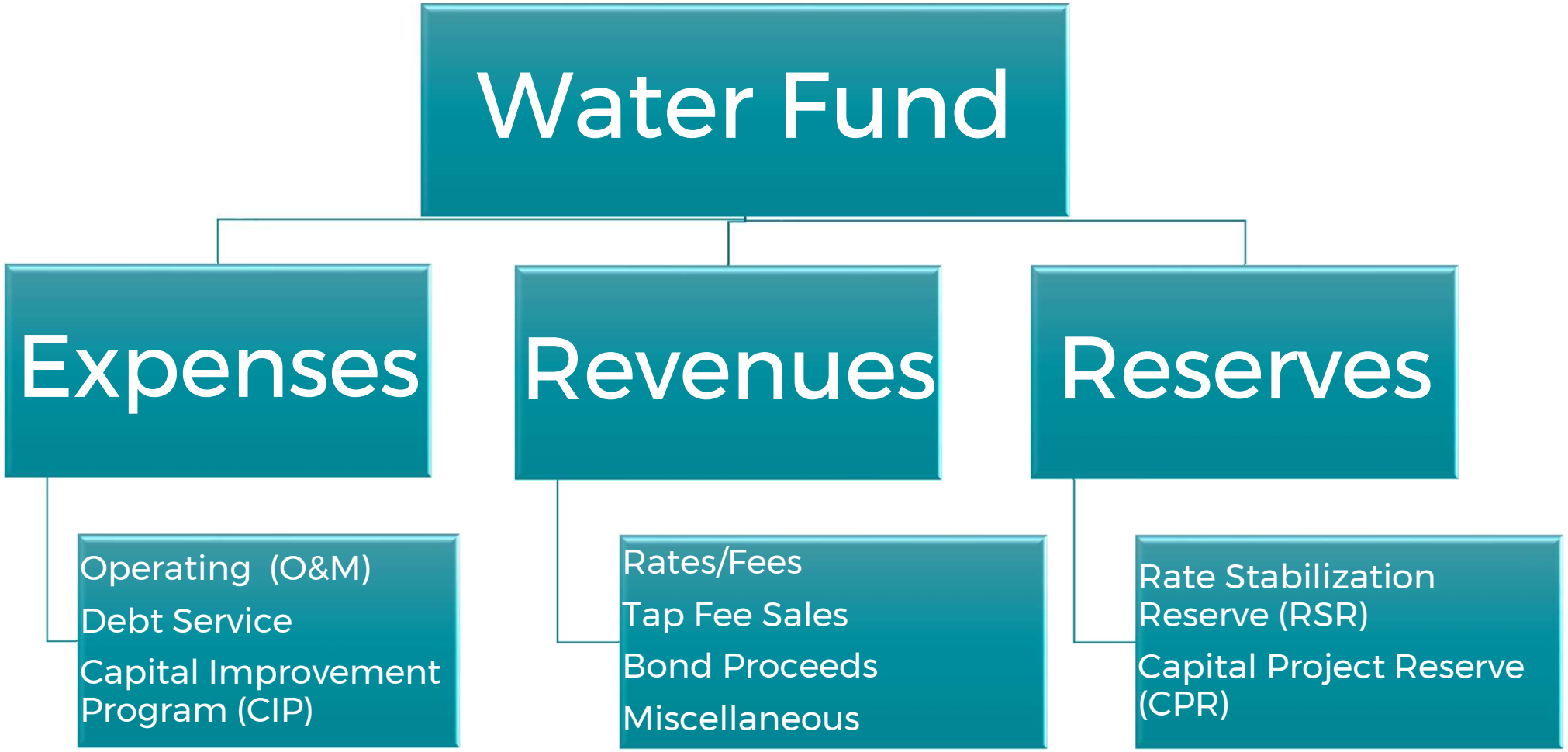
2019 charges for water services = approx. $57 million.

10%=$5.7 million (water)

What happens if we go over the 10% of revenue from the state/local government?

The Term ‘Water Fund’ means….



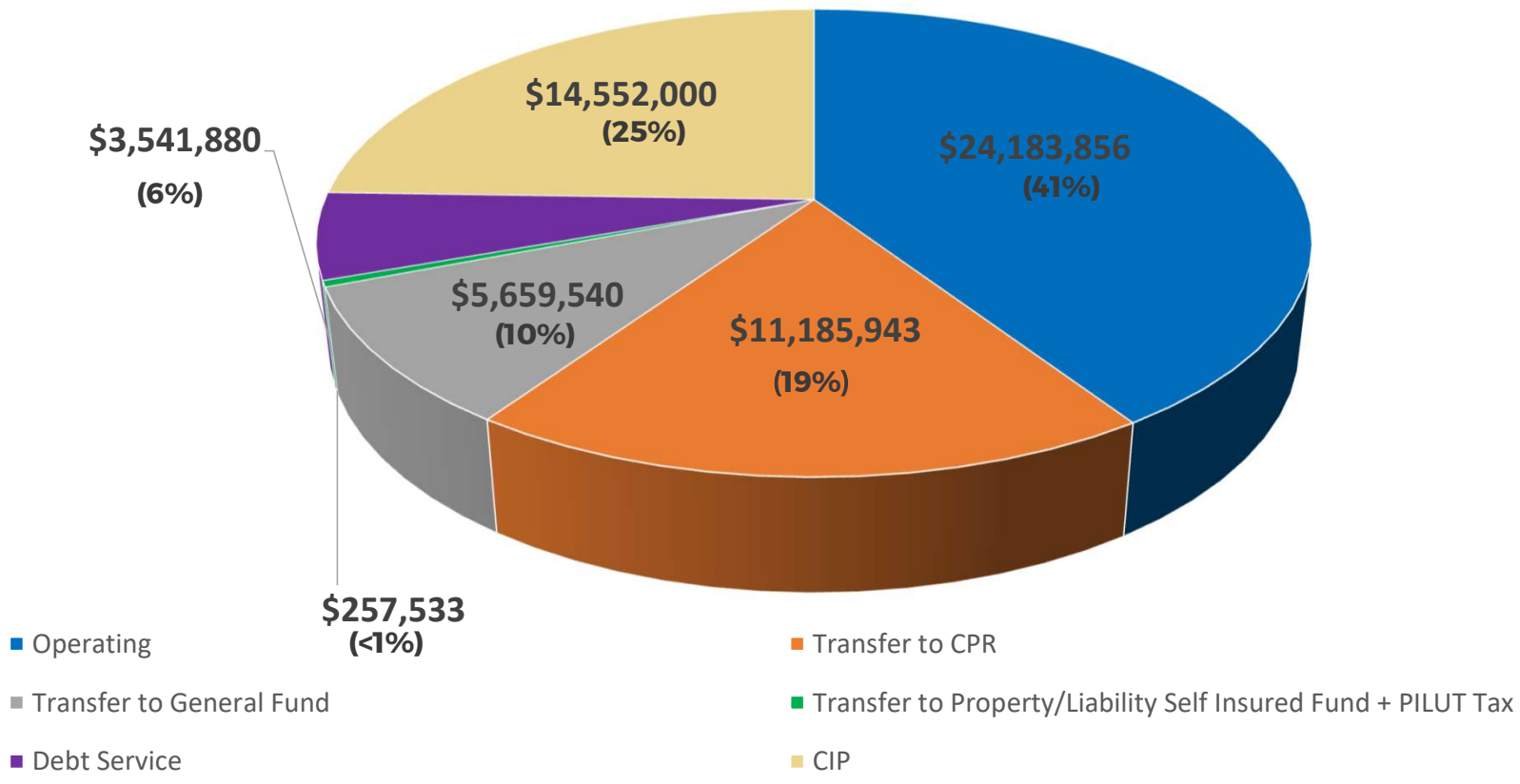

Water Fund
Expenses
Operating (O&M)
Debt Service
Capital Improvement Program (CIP)
Revenues
Rates/Fees
Tap Fee Sales
Bond Proceeds
Miscellaneous
Reserves
Rate Stabilization Reserve (RSR)
Capital Project Reserve (CPR)

Water Fund

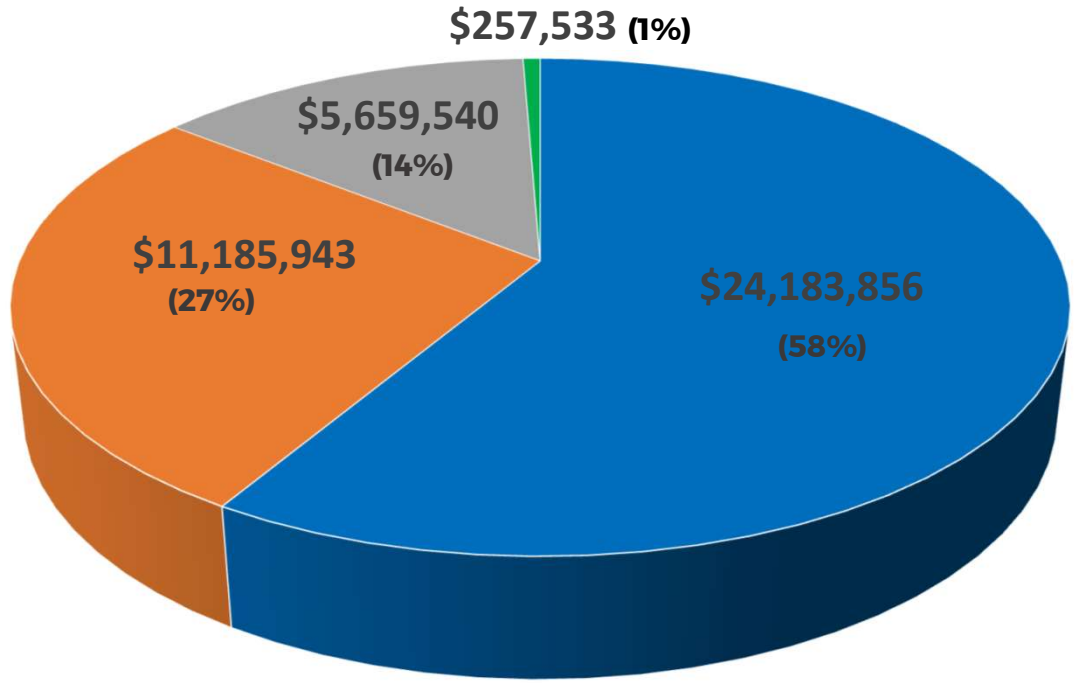
Expenses

- Operating (O&M)
- Capital Improvement Program (CIP)
- Debt Service

2021: All Water Costs = All Water Expenses = $59,380,752



2021 Water Operating Expenses Breakdown = $41,286,872



2021 Operating Budget = Costs = Expenses = $41,286,872

- PEOPLE: salaries, benefits, retirement, training, certifications ~$10M
- CONTRACTS: legal, engineering, equipment maintenance, partner organizations, contractual agreements ~$12M
- PRODUCTS NEEDED TO DO WORK: equipment/parts/materials for in-house crews and in-house facility maintenance, 8" PVC water pipe, lab supplies, chemicals, fuel. ~$2M

2021 Operating Budget = Costs = Expenses = $41,286,872

- TRANSFERS: overhead costs to the General Fund, Property/Liability Self Insurance fund, Payment in Lieu of Sales Tax, planned transfers to the Capital Project Reserve account. ~$17M
- SMALL DOLLAR VALUE ASSETS (<$20,000 per piece): computer software/hardware, small vehicles, meters for new homes and replacements. ~$200K

TOTAL = approx. $41.2 Million

Question: Is there a difference between basic maintenance repairs and capital repairs for water infrastructure? Where's the line between O&M and capital? What determines that line?

Basic maintenance = work.	<$20,000 asset value or as part of in-house In the Operating budgets
CIP projects =	>$20,000 asset value. In the CIP budgets.

Water Fund

Expenses

- Operating (O&M)
- Capital Improvement Program (CIP)
- Debt Service

WATER CAPITAL IMPROVEMENT PROGRAM COSTS = EXPENSES

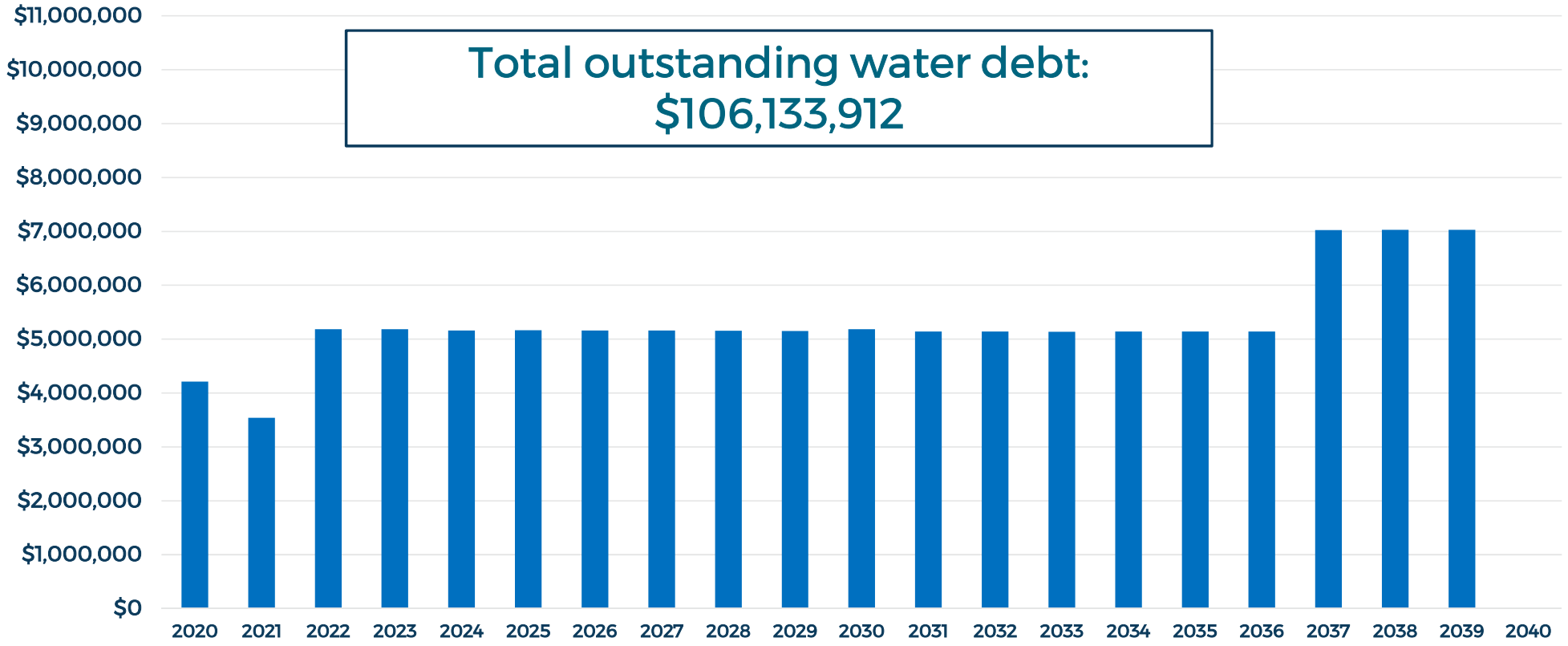
2021 Proposed - Project Name	2021 Proposed – Project Amount
120th Avenue Transmission Waterline- Assessment & Pre-Design	$2,760,000
Conservation Program: Multi-Family Water Efficient Fixture Retrofits	$100,000
Customer Data Portal Software	$100,000
Kershaw Pump Station Improvements	$750,000
Northridge Water Storage Tanks Replacement	$8,000,000
South Boulder Canal Diversion Structure	$850,000
Utility Facilities Parking Lot Maintenance Program	$45,000
Wattenberg Reservoir – Spillway & Bank Stabilization	$1,523,000
Water Capital Outlay Replacement Program (Vehicles)	$424,000
2021 Total Proposed CIP	**$14,552,000**

Water Fund

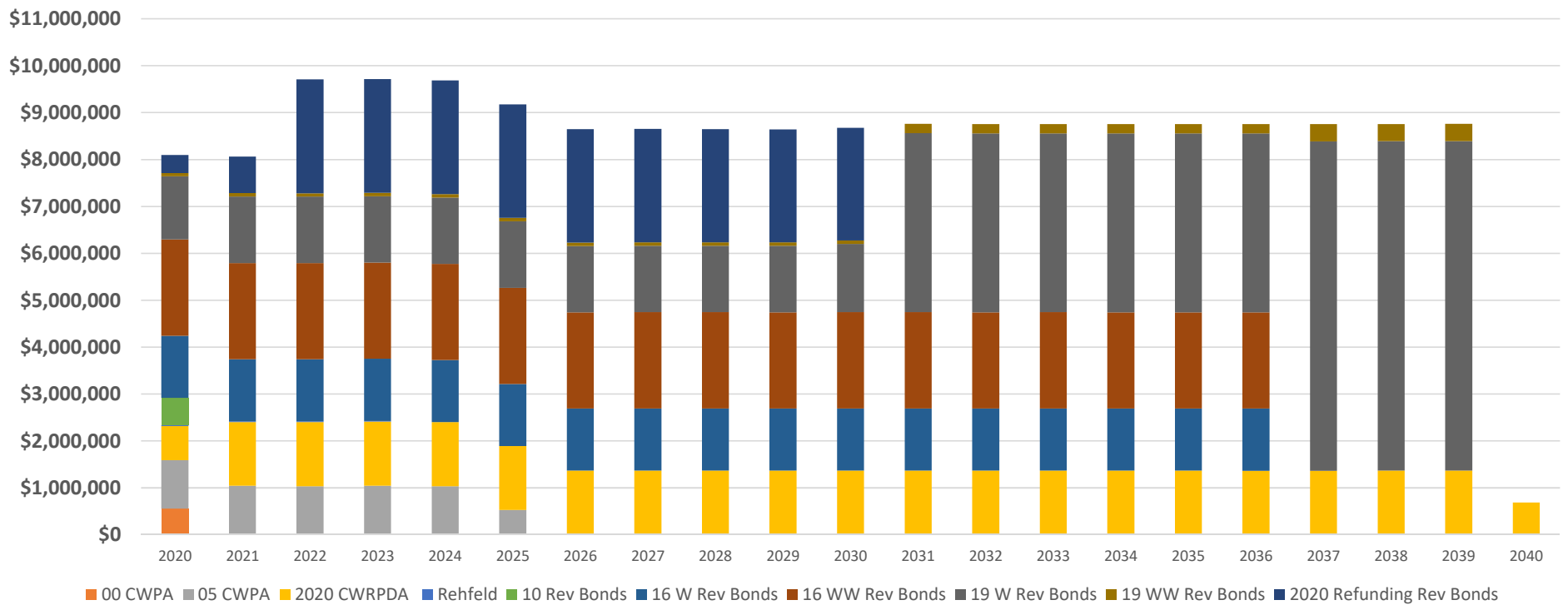
Expenses

- Operating (O&M)
- Capital Improvement Program (CIP)
- Debt Service

Water Debt Service Schedule: 2020-2040



Existing Debt Service: Water + Wastewater



Water Debt and Loans Issued 2000-2020

Year Issued	Total Amount of Debt	Water Fund Amount	Outstanding debt (Principal + Interest)	Projects Funded
2000	$14,898,357	$14,898,357	$554,586	Northwest Water Treatment Facility
2008	$180,500	$180,500	$64,758	City purchased water rights from a family
2010	$27,799,000	$27,799,000	$0– refunded/refinanced in 2020. See below.	12 projects, including: Reclaimed Plant expansion, waterline R&R, Pressure Zone 1, NWTF Membrane replacement, Wandering View Tanks work
2016	$51,000,000	$20,000,000	$22,503,690	Pressure Zone 3, Sheridan Water Main Replacement
2019	$43,580,000	$41,430,000	$59,500,422	Wattenberg Reservoir payment to Aggregate Industries, High Service Pump Station, WATER2025
2010 (Refinanced in 2020)		$22,925,080	$22,925,080	See 2010 projects above
TOTAL	**$104,307,857**		**$106,133,912**	

Question: What is included in the cost amount that is associated with charter mandates?

Section 14.6 of the City of Westminster, Colorado Home Rule Charter states:

"The rates and charges for any municipal public utility for the furnishing of water, light, heat, power, gas or sewage treatment and rubbish and garbage disposal shall be so fixed as to at least meet all the operating costs of such utility."

Question: What is included in the water cost amount that is associated with charter mandates?

Charter Section 11.1(c) requires that utility bonds be paid by utility revenues.

"The Council shall have the power to issue bonds to finance the improvement or extension of a municipally owned and operated utility, or any other project, enterprise, works or ways, if said bonds shall be payable solely out of revenue to be derived from the operation of such utility, project, enterprise, works or ways. The Council shall also be empowered to combine municipally owned and operated utilities, providing for their joint operation, and having so provided, may issue revenue bonds of such jointly operated utilities, pleading for the payment thereof the joint revenue of the utilities. Such joint utilities revenue bonds may be issued to acquire, extend or improve one (1), or more, or all of the jointly operated utilities."

Question :What is included in the water cost amount that is associated with funding mandates?

- We've issued **debt** to pay for Water projects
- Lender requirements include that we have 100% of annual debt service payment + additional pledged revenues
  - Staff considers this a funding mandate
- City Debt Policy Guideline requires 100% of annual debt service payment+50%.
  - More conservative. Provides more room if there is a significant impact to the economy and revenues.
  - This is a calculation factor in rate-setting process.

A Debt Service Coverage Analogy

Income:	$10,000
Expenses	
(gas, food, energy, etc.):	$ 8,000
Remaining in account:	$ 2,000
Annual Mortgage payment:	$ 1,000
110% amount:	$ 1,100
125% amount:	$1,250
150% amount:	$1,500

2019 Water Income:	$57,947,664
2019 Water Expenses	
(Oper. + CIP expenses):	$27,860,621
Remaining:	$ 30,087,043
2019 Annual Water Debt Service amount:	$5,320,896
110% debt service amount:	$5,852,986
125% debt service amount:	$6,651,120
150% debt service amount:	$7,981,344

Cost of Borrowing for Individuals

Personal Costs of Borrowing

- What's your credit score?
- May determine your interest rate

Higher interest rate/harder to get credit Lower interest rate/easier to get credit

Cost of Borrowing for A Utility

Utility Costs of Borrowing

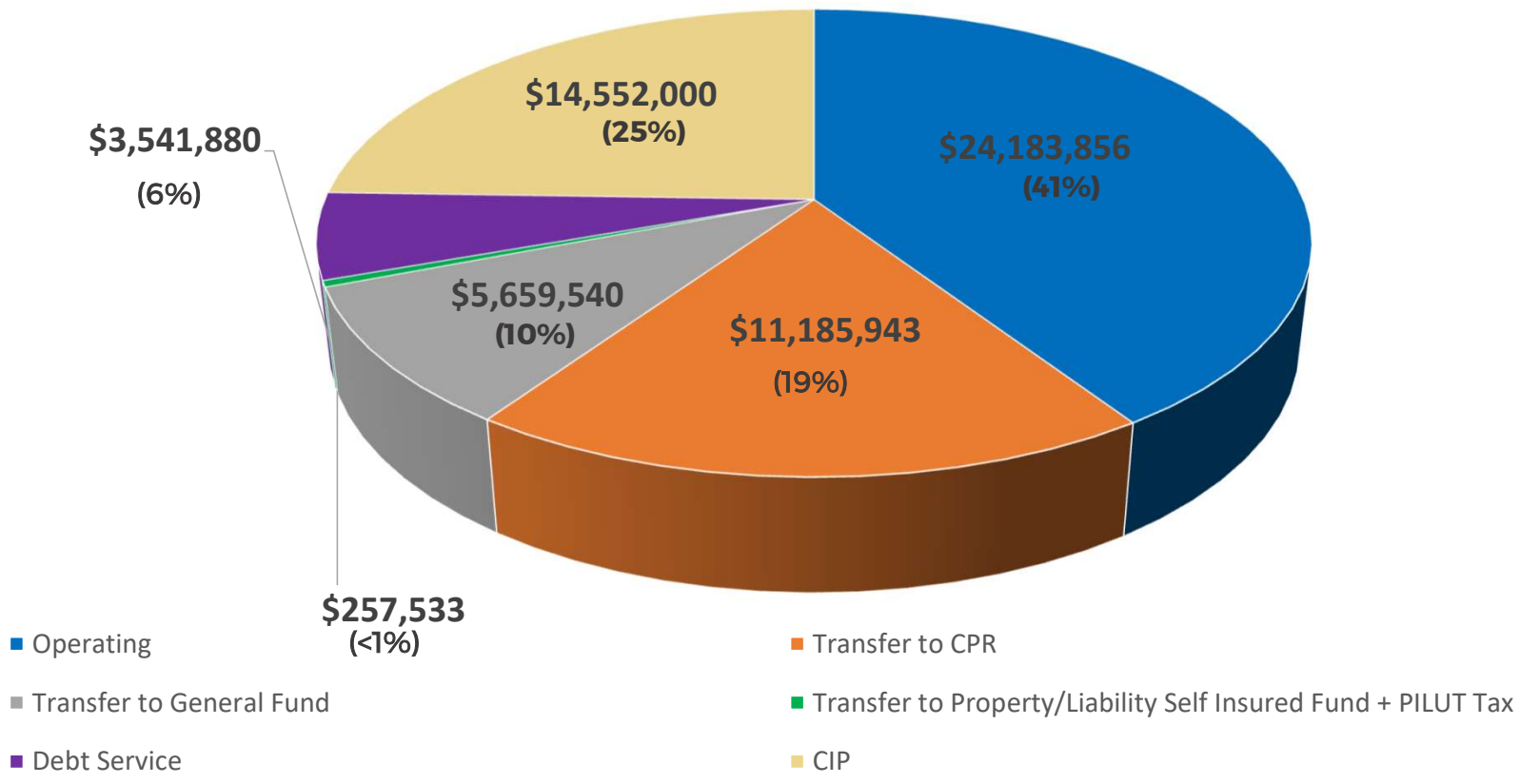
- What's your credit score?
- May determine your interest rate

Westminster's Current Credit Ratings

AA+ (Fitch) **AAA (S&P)**

Higher interest rate/harder to get credit Lower interest rate/easier to get credit

2021: All Water Costs = All Water Expenses = $59,380,752



Question: What "blue sky thinking" has staff done about ways to reduce costs to produce and deliver clean water in the short and long terms?

- Reduced water power/chemical budget. Always reviewing budget.
- 140+ item list of Innovative and Sustainable Cost Saving Practices provided to City Council in June:
  - Disposal of filter backwash sludge ($200,000 savings)
  - In-house water quality testing and studies (e.g., whole effluent testing, in-house studies)
  - In-house water main replacement program (cost savings)
  - Converted water treatment to hypochlorite disinfection (safety and cost)
  - Dewatering program to reduce nutrients in land application (cost savings, reduced environmental impact)
- Investing in capital planning to minimize long term O&M
- The role of conservation leading to decreased demand leading to smaller pipelines, smaller treatment facilities, etc.
- Refinance existing debt when possible

Question: What other ideas have you generated and discarded?

We discarded the following:

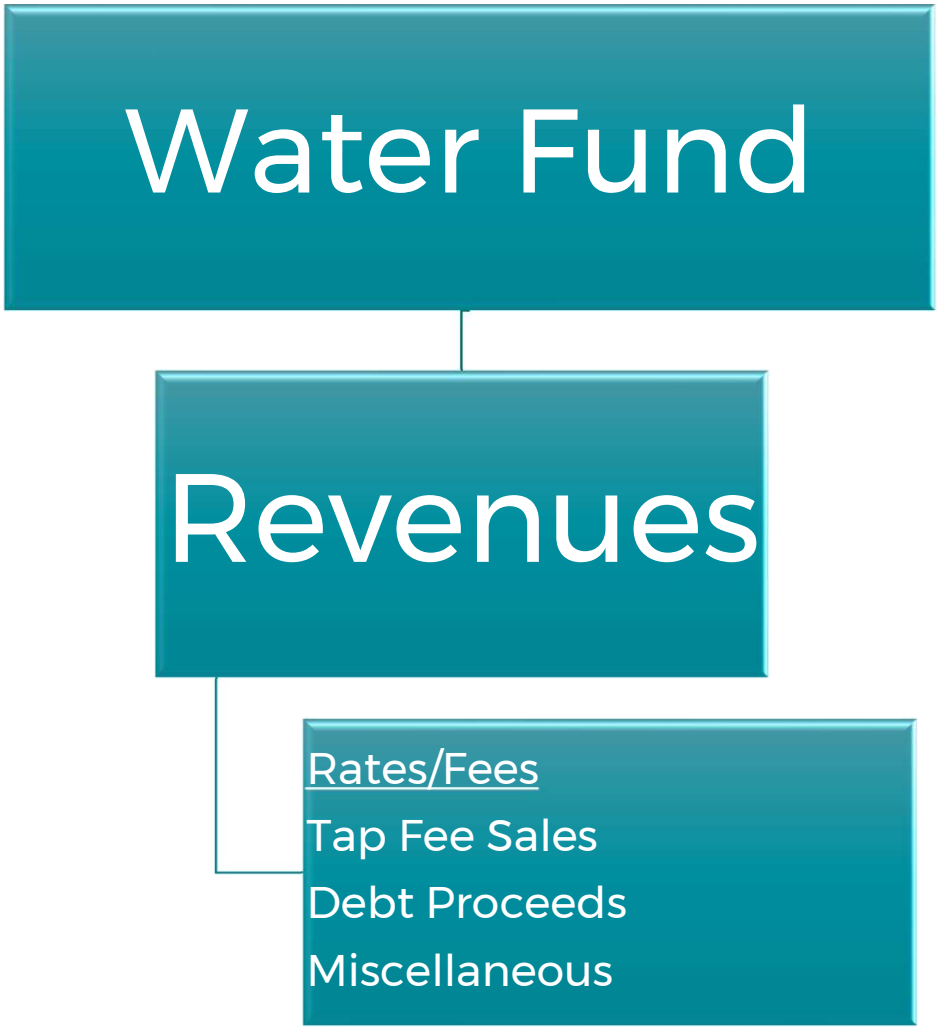
- Consolidating with another utility. Based on water sources + cost.
- Reducing treatment. Based on regulations.
- Keeping the existing Semper Water Treatment Facility. Per a 2015 master plan, it is more cost-efficient to build new plant.
- Entering a P3 (public-private-partnership) contract for part/all of utility operations. P3 potentially removes public input/influence, possible cost increases in short- and long-term.

Question: Which of all of the things we've talked about can the City control or influence? Which elements are out of the City's control? Why?

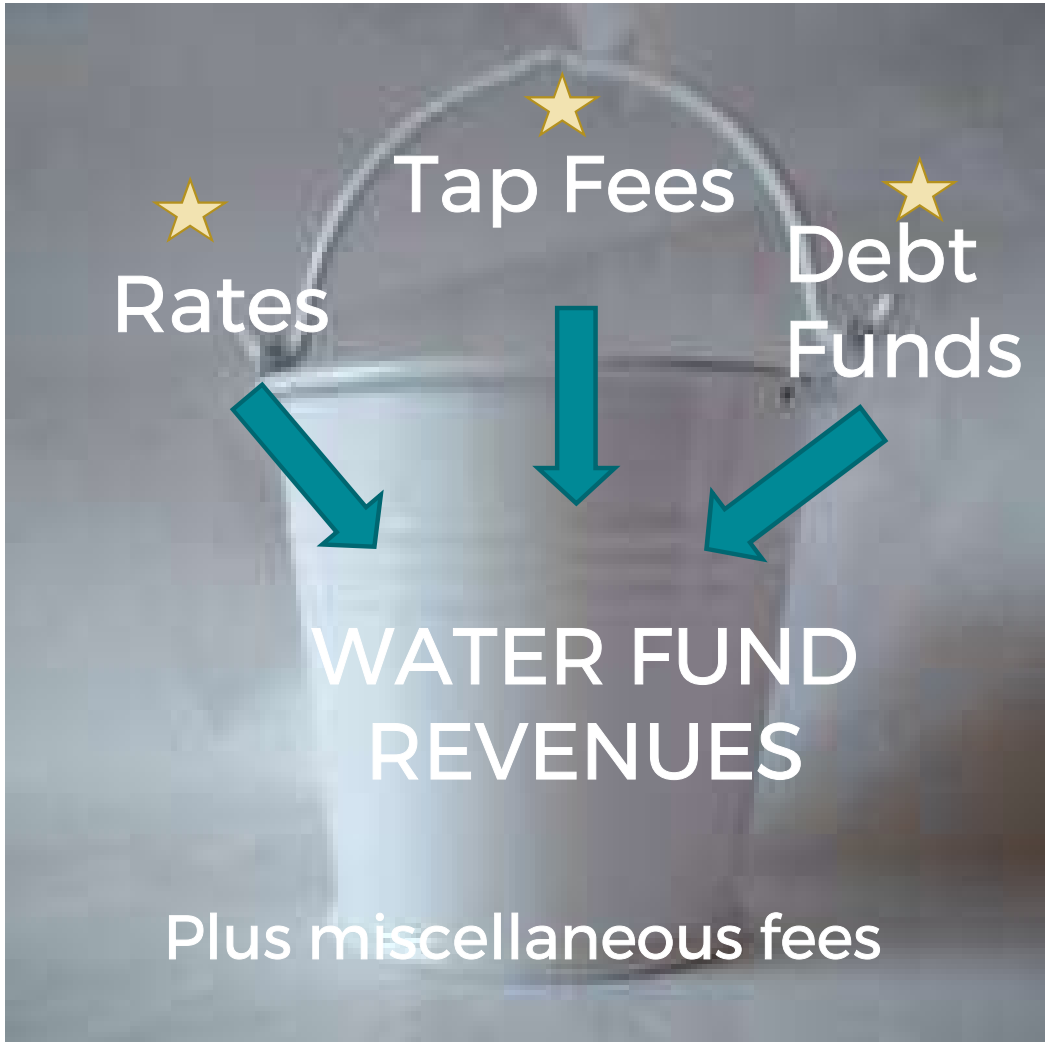
EXPENSES

Item	City Can Change ★	City Cannot Change
Level of Service – CIP and Operating budgets	☆	
Meeting debt service obligations		X
City debt service coverage policy	☆	

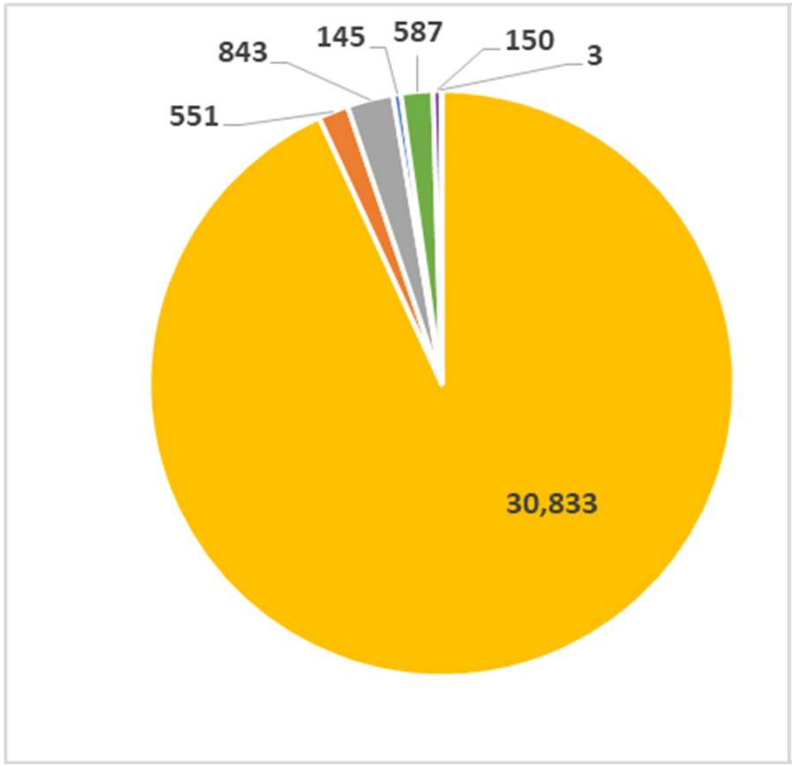
Questions, Takeaways & Ideas About Water Costs?


Water Fund
Revenues
Rates/Fees
Tap Fee Sales
Debt Proceeds
Miscellaneous

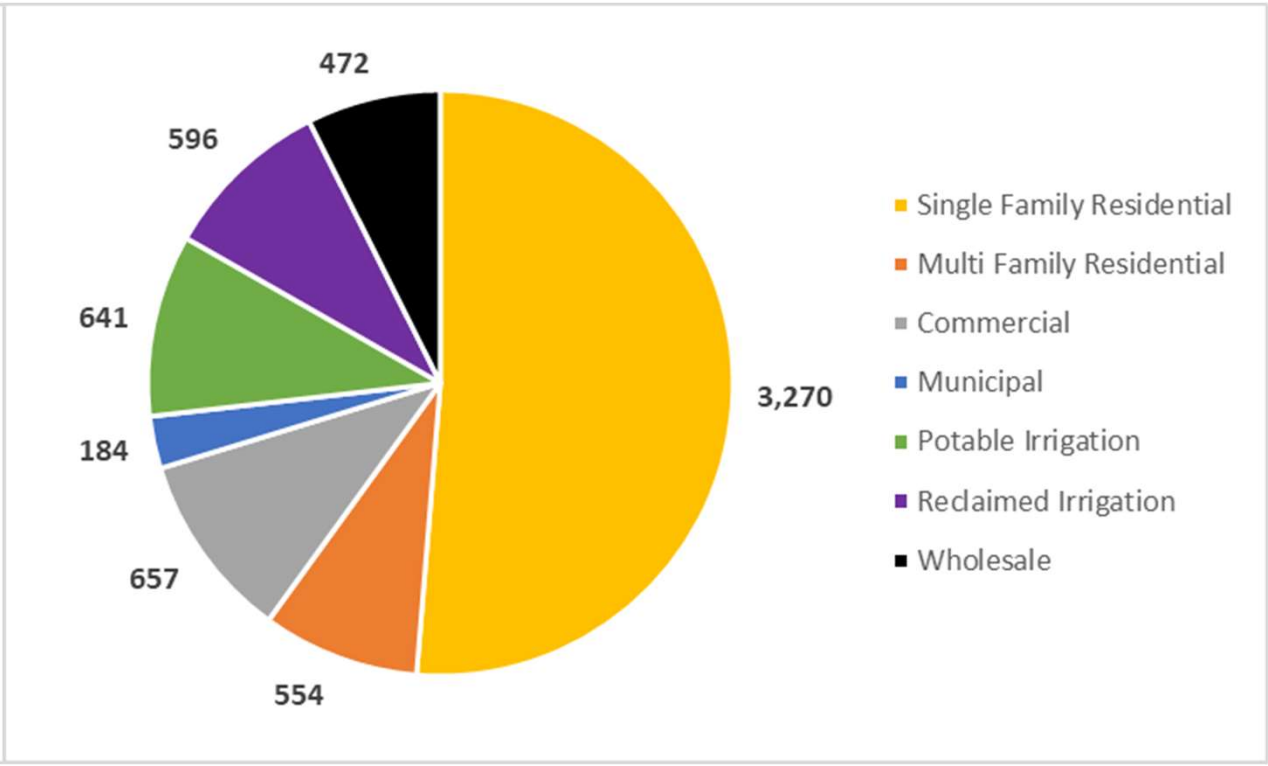
The Water Fund Has Three Primary Revenue Sources



A Small Number of Accounts Use a Lot of Water

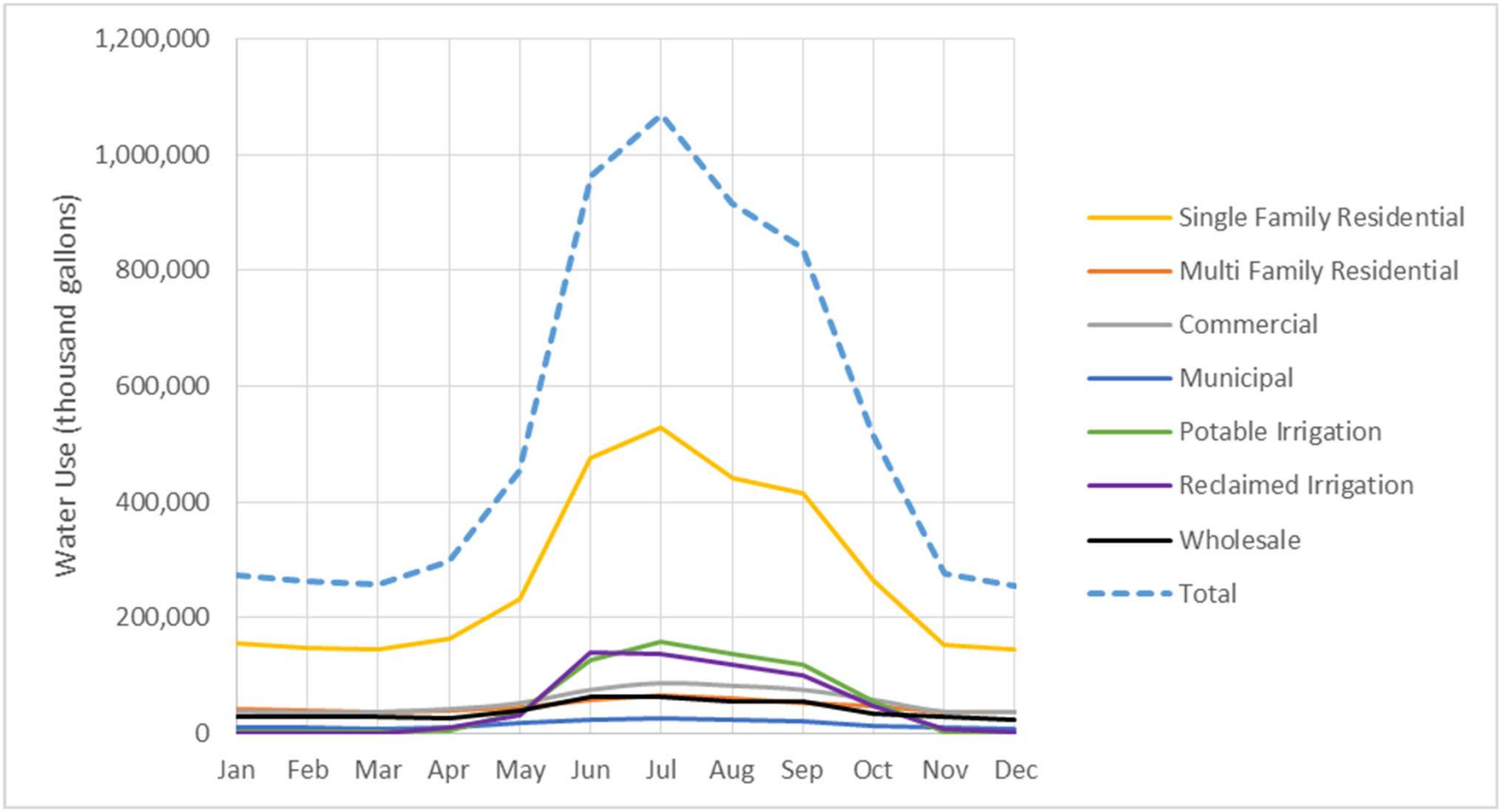


Number of Accounts

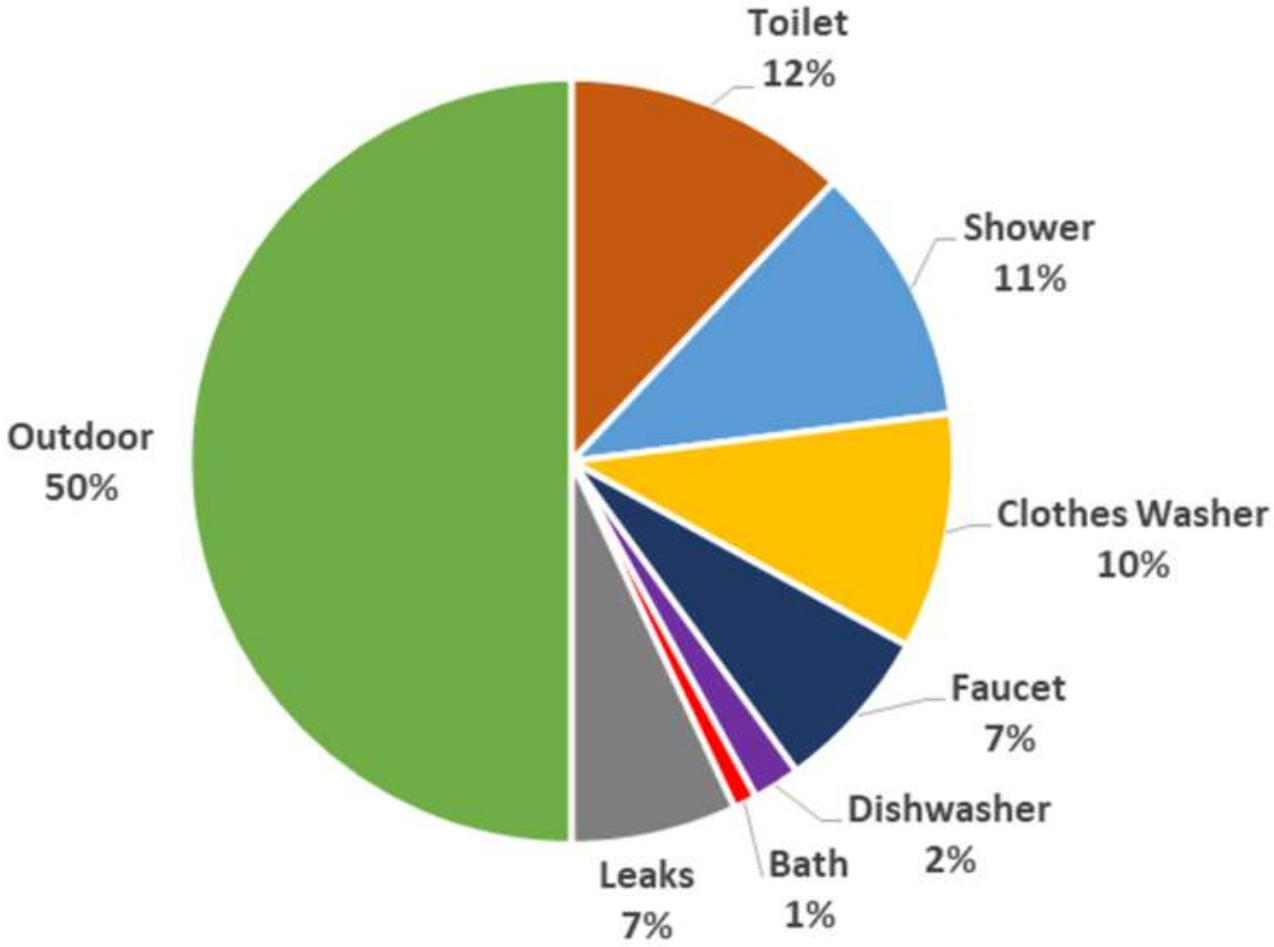


Million Gallons of Water Use

Westminster Water Use Peaks in Summer Time



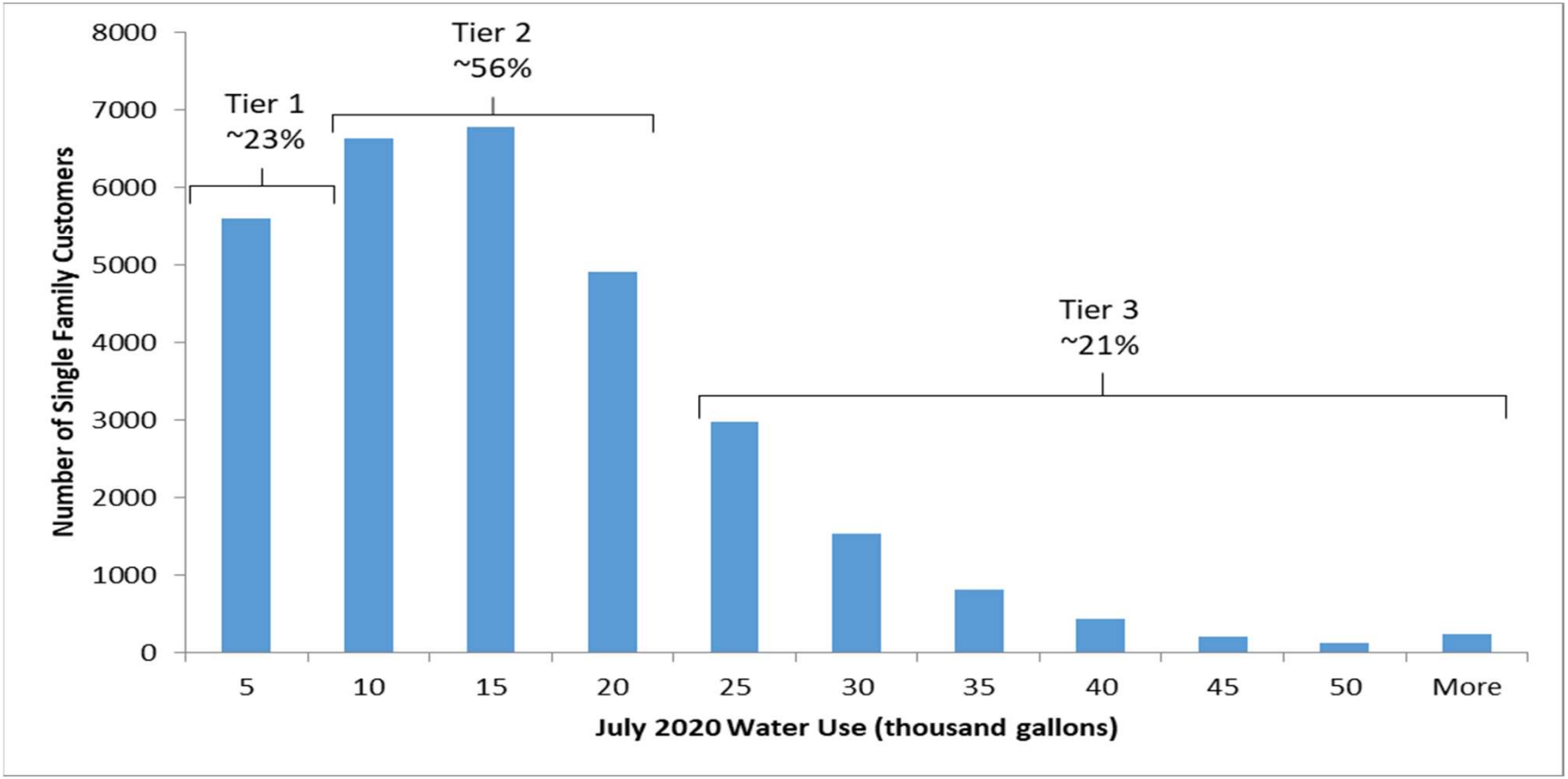
50% of Residential “End Use” is Outdoors



Introduction to Water Rate Tiers for Residential Customers

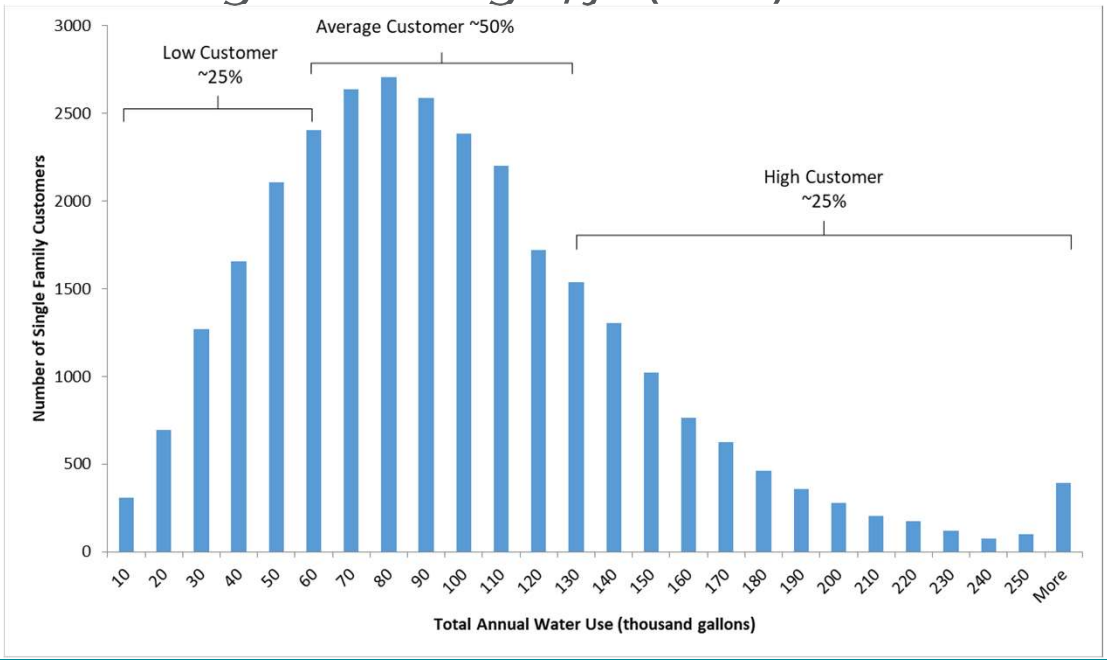
- Westminster bills customer water use based on 1,000 gallon units called Kgals.
- These Kgals are distributed into three tiers for billing purposes.
  - Tier 1: 0-6,000 gallons (0-6 Kgal) $3.96/Kgal
  - Tier 2: 7,000 – 20,000 gallons (7-14 Kgal) $8.15/Kgal
  - Tier 3: +21,000 gallons (+21 Kgal) $12.88/Kgal

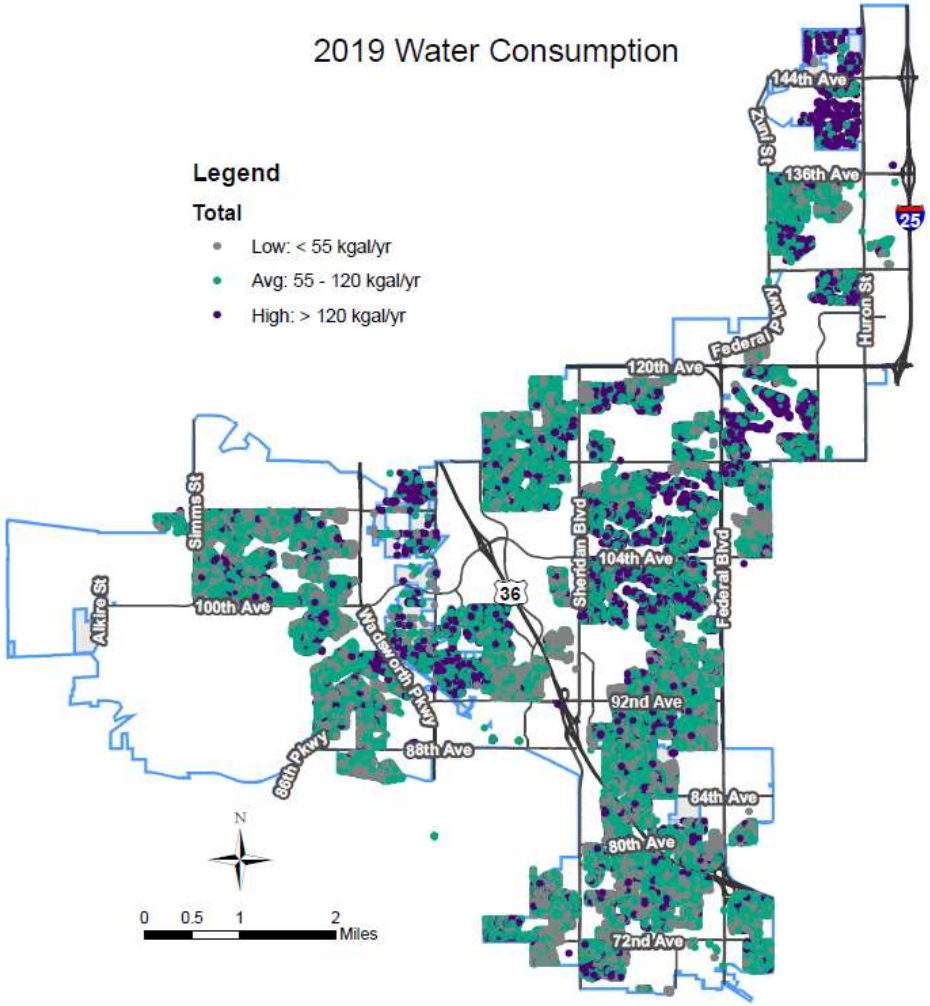
Single Family Customers' Summer Water Use - JULY 2020



Single Family Residential Annual Use

- Low: < 55kgal/yr (25%)
- Avg: 55-120 kgal/yr (50%)
- High: > 120 kgal/yr (25%)





2020 Water Use Tiers and Cost per Kgal

Tier Use in Kgal	Tier Cost per Kgal	Kgal in Tier	Total Cost in Tier
0-6 Kgal	$3.96/Kgal ☆	6 ☆	$23.76
7-20 Kgal	$8.15/Kgal ☆	14 ☆	$114.10
Over 21 Kgal	$12.88/Kgal ☆	Depends ☆	Depends on Tier 3 water use

2020 Sample Customer Water Use - Average Water Use – July

Customer used 12,000 gallons in billing cycle = 12 Kgal

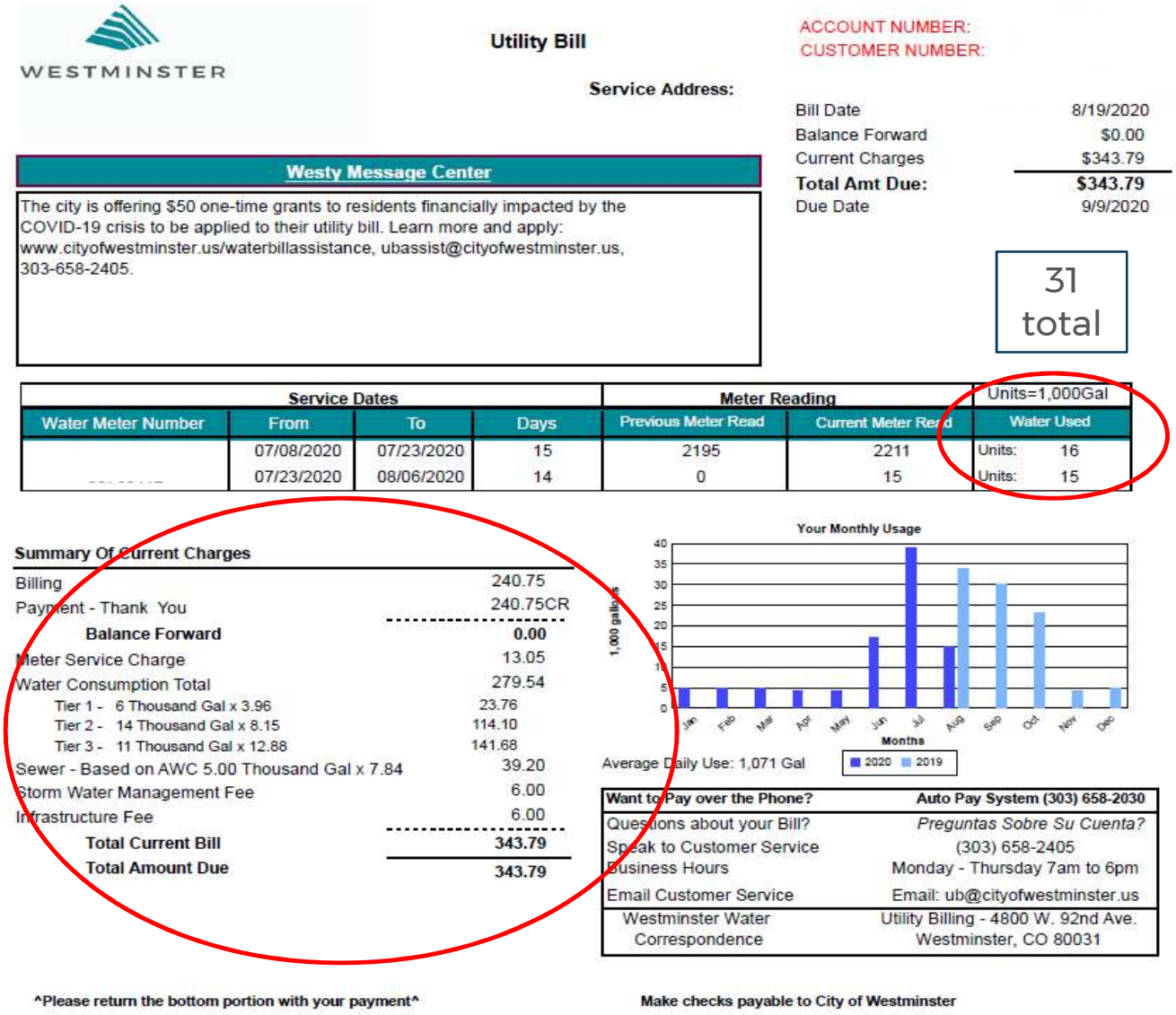
Tier Use in Kgal	Tier Cost per Kgal	Water Use in the Tier	Total Cost in Tier
0-6 Kgal	$3.96/Kgal	6 Kgal	$23.76
7-20 Kgal	$8.15/Kgal	6 Kgal	$48.90
+ 21 Kgal	$12.88/Kgal	0 Kgal	$0
Charge for 12 Kgal (12,000 gallons) of water used in billing cycle:			$72.66

2020 Sample Customer Water Use- High Water Use- JULY

Customer used 31,000 gallons in billing cycle = 31 kgal

Tier Use in Kgal	Tier Cost per Kgal	Water Use in the Tier	Total Cost in Tier
0-6 Kgal	$3.96/Kgal	6 Kgal	$23.76
7-20 Kgal	$8.15/Kgal	14 Kgal	$114.10
+ 21 Kgal	$12.88/Kgal	11 Kgal	$141.68
Charge for 31 Kgal (31,000 gallons) of water used in billing cycle:			$279.54

How Does This Look on a Utility Bill?



WESTMINSTER

Utility Bill

ACCOUNT NUMBER:
CUSTOMER NUMBER:

Service Address:

Bill Date	8/19/2020
Balance Forward	$0.00
Current Charges	$343.79
Total Amt Due:	**$343.79**
Due Date	9/9/2020

Westy Message Center

The city is offering $50 one-time grants to residents financially impacted by the COVID-19 crisis to be applied to their utility bill. Learn more and apply: www.cityofwestminster.us/waterbillassistance, ubassist@cityofwestminster.us, 303-658-2405.

31 total

Service Dates			Meter Reading		Units=1,000Gal
Water Meter Number	From	To	Days	Previous Meter Read	Current Meter Read	Water Used
	07/08/2020	07/23/2020	15	2195	2211	Units: 16
	07/23/2020	08/06/2020	14	0	15	Units: 15

Summary Of Current Charges

Billing	240.75
Payment - Thank You	240.75CR
Balance Forward	**0.00**
Meter Service Charge	13.05
Water Consumption Total	279.54
Tier 1 - 6 Thousand Gal x 3.96	23.76
Tier 2 - 14 Thousand Gal x 8.15	114.10
Tier 3 - 11 Thousand Gal x 12.88	141.68
Sewer - Based on AWC 5.00 Thousand Gal x 7.84	39.20
Storm Water Management Fee	6.00
Infrastructure Fee	6.00
Total Current Bill	**343.79**
Total Amount Due	**343.79**

Your Monthly Usage

Average Daily Use: 1,071 Gal

Want to Pay over the Phone?	Auto Pay System (303) 658-2030
Questions about your Bill?	*Preguntas Sobre Su Cuenta?*
Speak to Customer Service	(303) 658-2405
Business Hours	Monday - Thursday 7am to 6pm
Email Customer Service	Email: ub@cityofwestminster.us
Westminster Water Correspondence	Utility Billing - 4800 W. 92nd Ave. Westminster, CO 80031

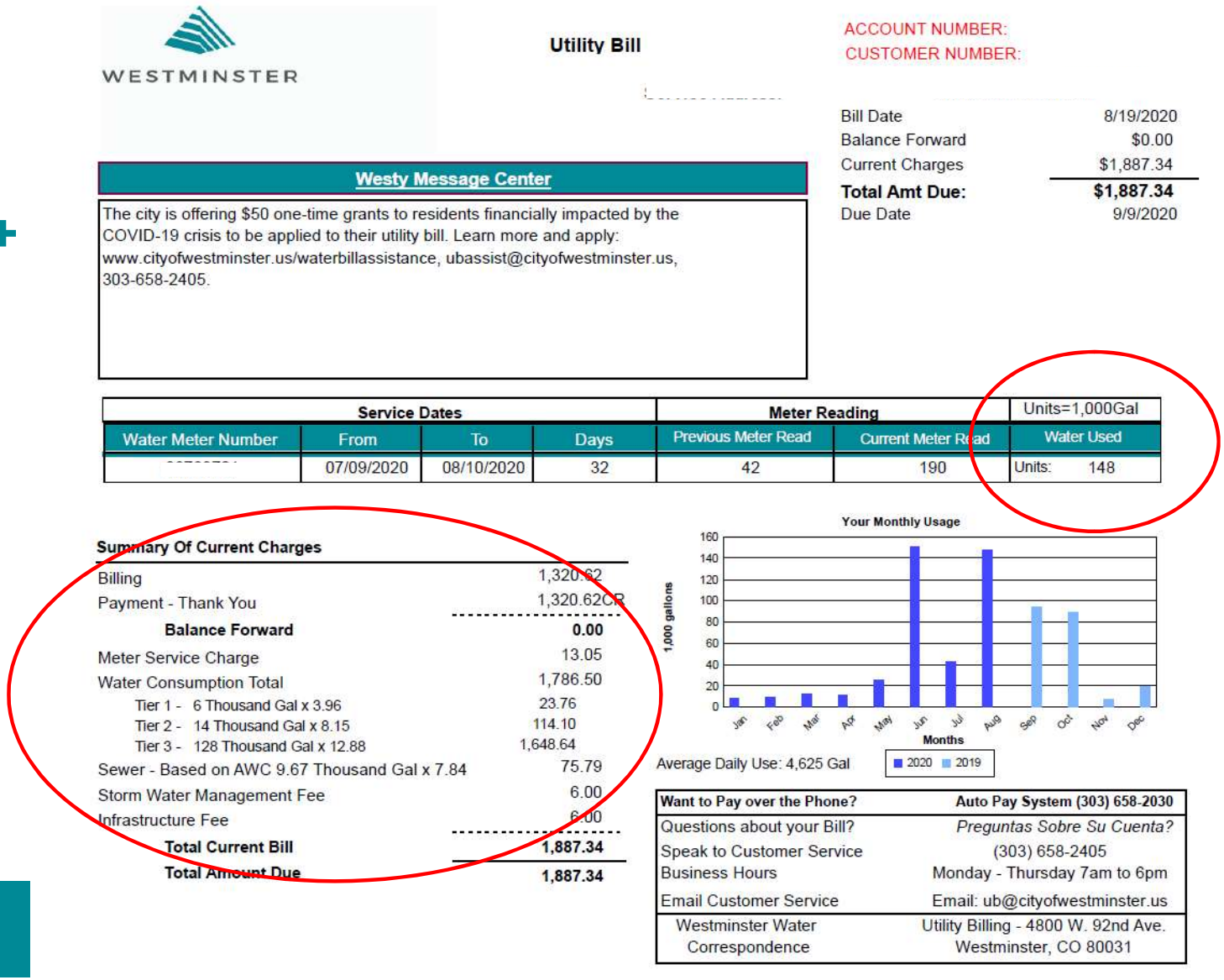
^Please return the bottom portion with your payment^

Make checks payable to City of Westminster

WESTMINSTER

Are There Customers With $1,000+ Water Bills? Why?

Yes, some customers use a lot of water.



WESTMINSTER

Utility Bill

ACCOUNT NUMBER:
CUSTOMER NUMBER:

Bill Date	8/19/2020
Balance Forward	$0.00
Current Charges	$1,887.34
Total Amt Due:	**$1,887.34**
Due Date	9/9/2020

Westy Message Center

The city is offering $50 one-time grants to residents financially impacted by the COVID-19 crisis to be applied to their utility bill. Learn more and apply: www.cityofwestminster.us/waterbillassistance, ubassist@cityofwestminster.us, 303-658-2405.

Service Dates				Meter Reading		Units=1,000Gal
Water Meter Number	From	To	Days	Previous Meter Read	Current Meter Read	Water Used
	07/09/2020	08/10/2020	32	42	190	Units: 148

Summary Of Current Charges

Billing	1,320.62
Payment - Thank You	1,320.62CR
Balance Forward	**0.00**
Meter Service Charge	13.05
Water Consumption Total	1,786.50
Tier 1 - 6 Thousand Gal x 3.96	23.76
Tier 2 - 14 Thousand Gal x 8.15	114.10
Tier 3 - 128 Thousand Gal x 12.88	1,648.64
Sewer - Based on AWC 9.67 Thousand Gal x 7.84	75.79
Storm Water Management Fee	6.00
Infrastructure Fee	6.00
Total Current Bill	**1,887.34**
Total Amount Due	**1,887.34**

Your Monthly Usage

1,000 gallons

Months

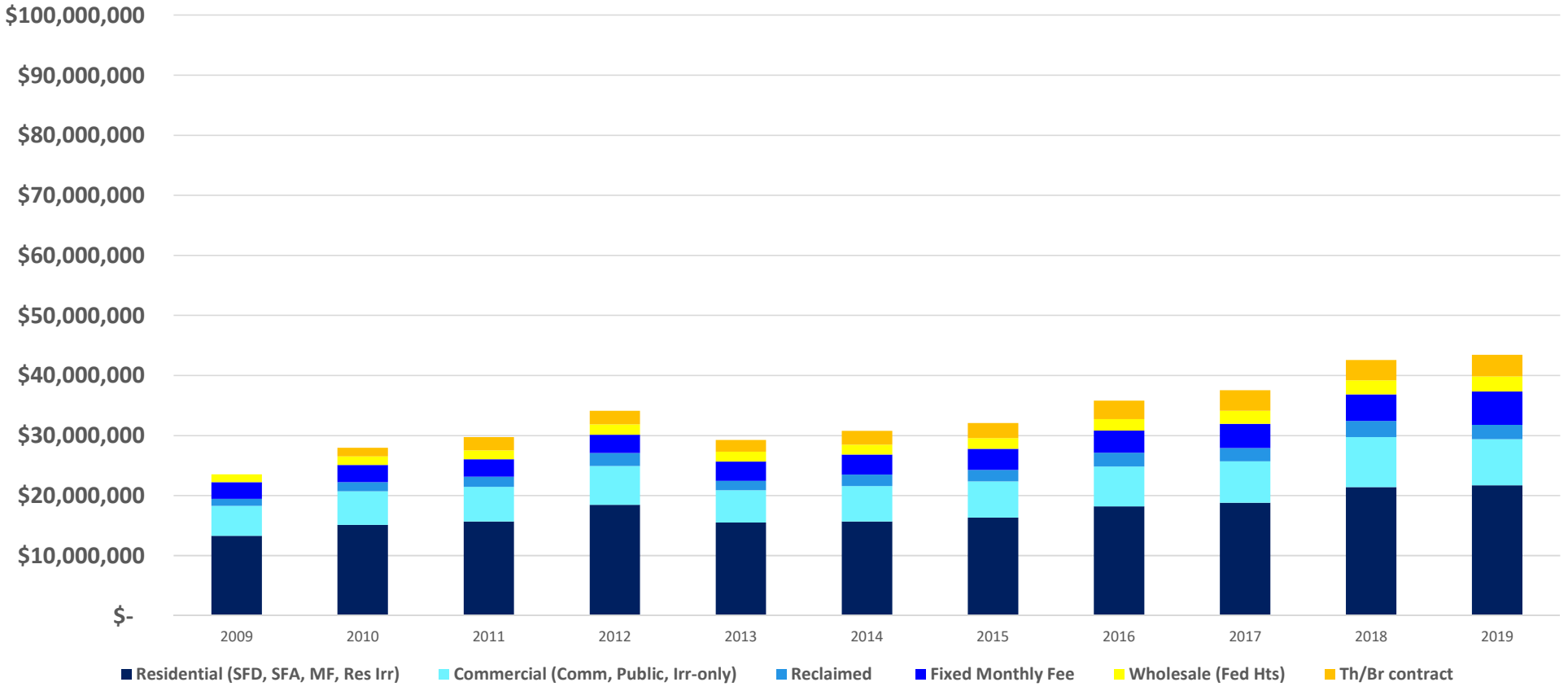
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

2020 2019

Average Daily Use: 4,625 Gal

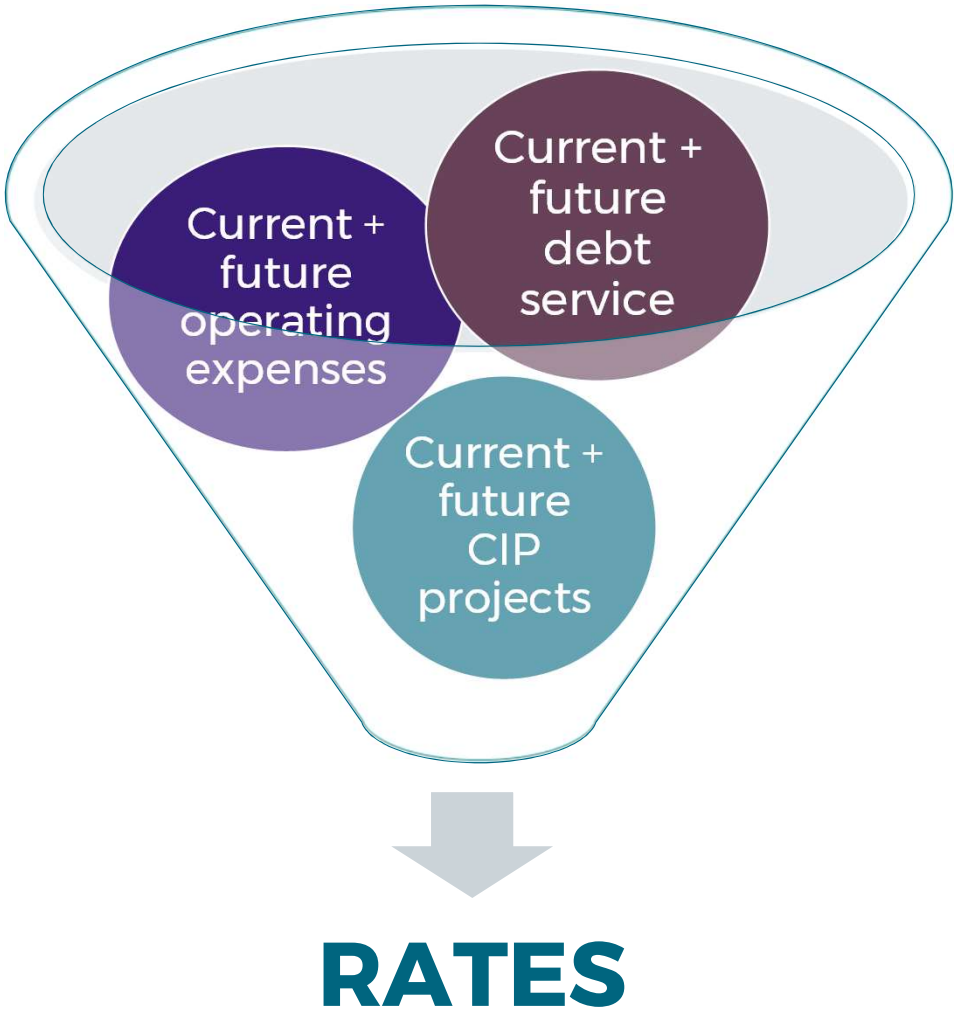
Want to Pay over the Phone?	Auto Pay System (303) 658-2030
Questions about your Bill?	*Preguntas Sobre Su Cuenta?*
Speak to Customer Service	(303) 658-2405
Business Hours	Monday - Thursday 7am to 6pm
Email Customer Service	Email: ub@cityofwestminster.us
Westminster Water Correspondence	Utility Billing - 4800 W. 92nd Ave. Westminster, CO 80031

All Water Rate Revenues (6 categories) 2009-2019

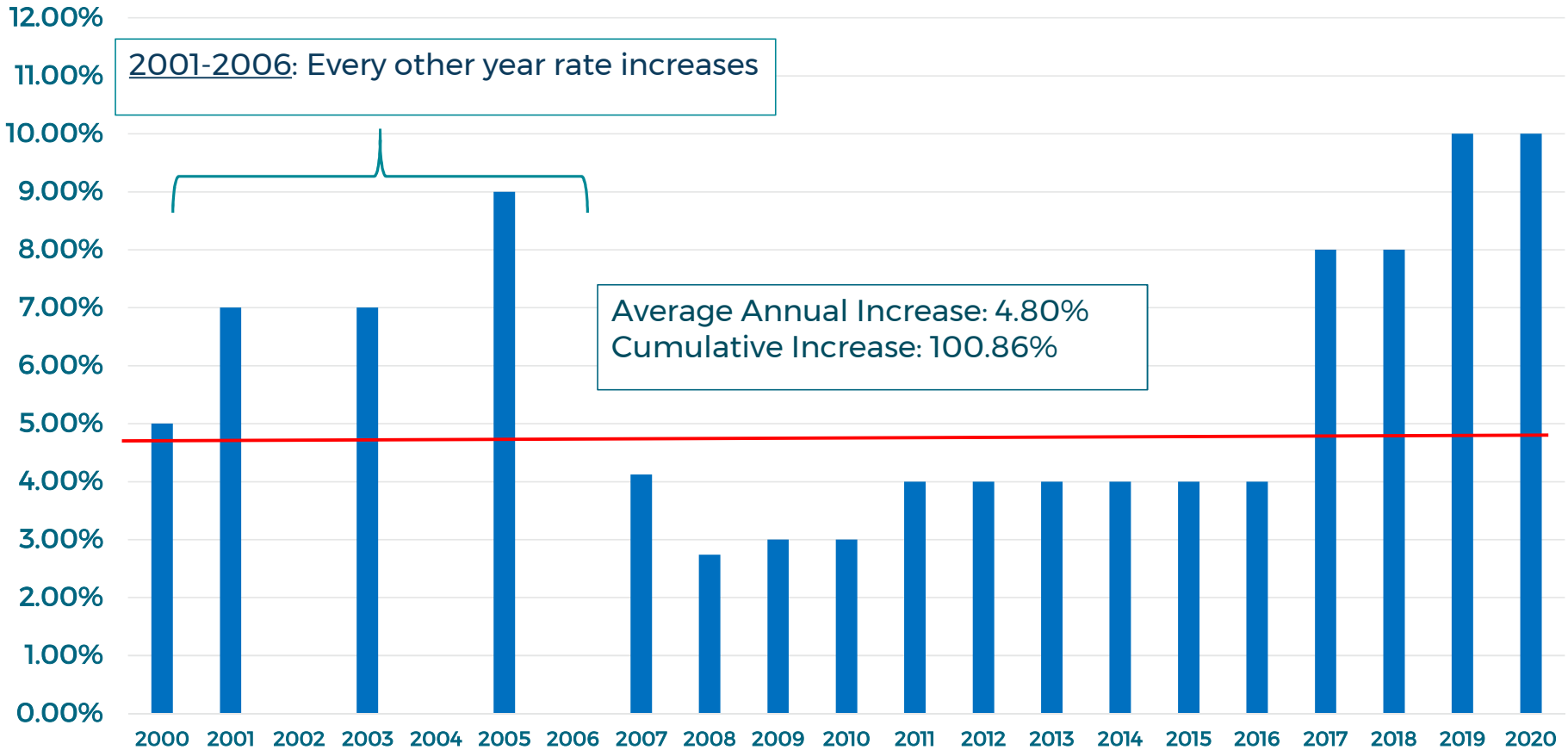


Question: Are water rates the same as the City's costs to produce and deliver clean water?

If not, what are the additional elements that drive or determine water rates? If so, what (if any) water infrastructure upgrades-repairs-replacements are included?



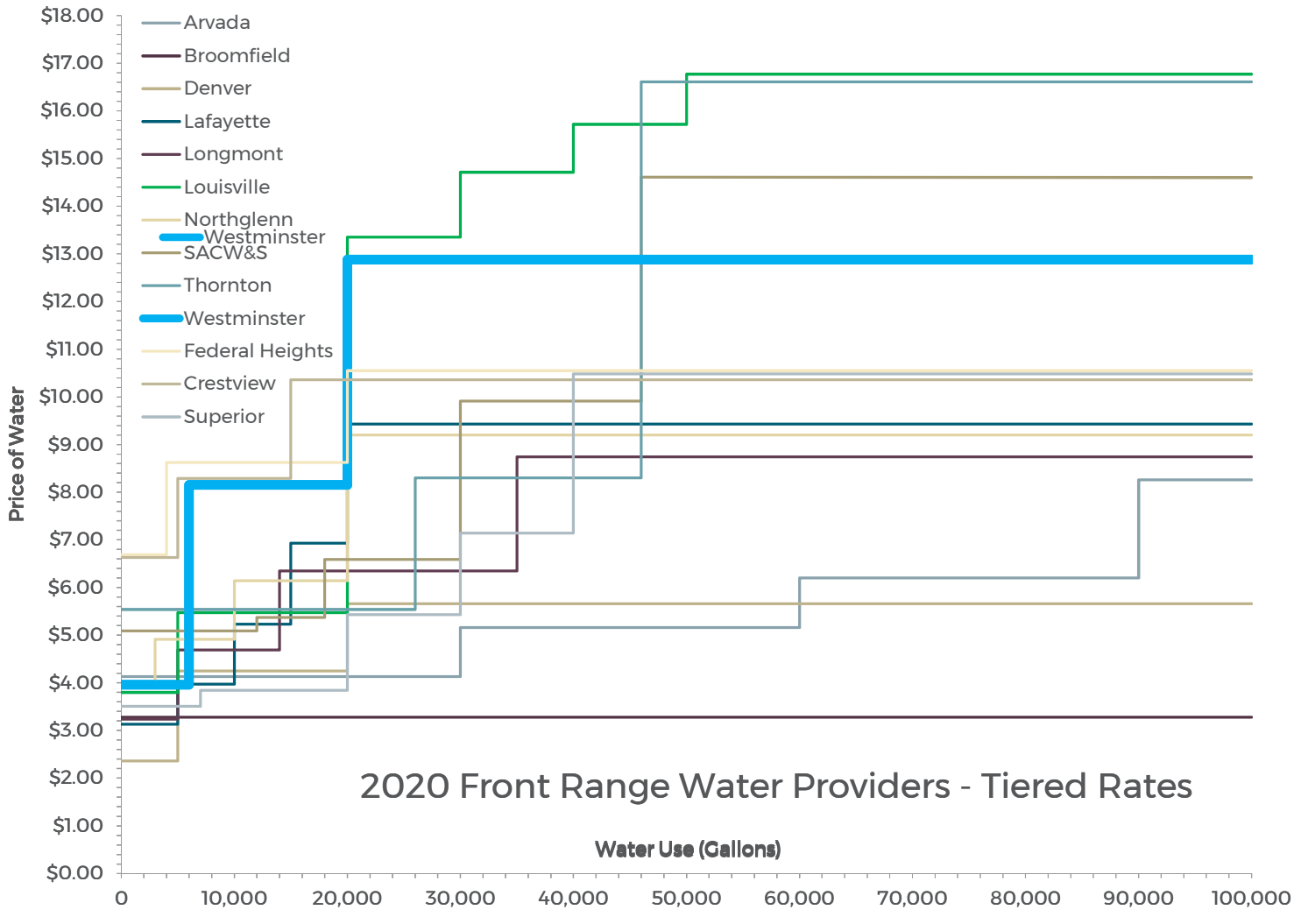
Water Rate Revenue Increase History 2000-2020



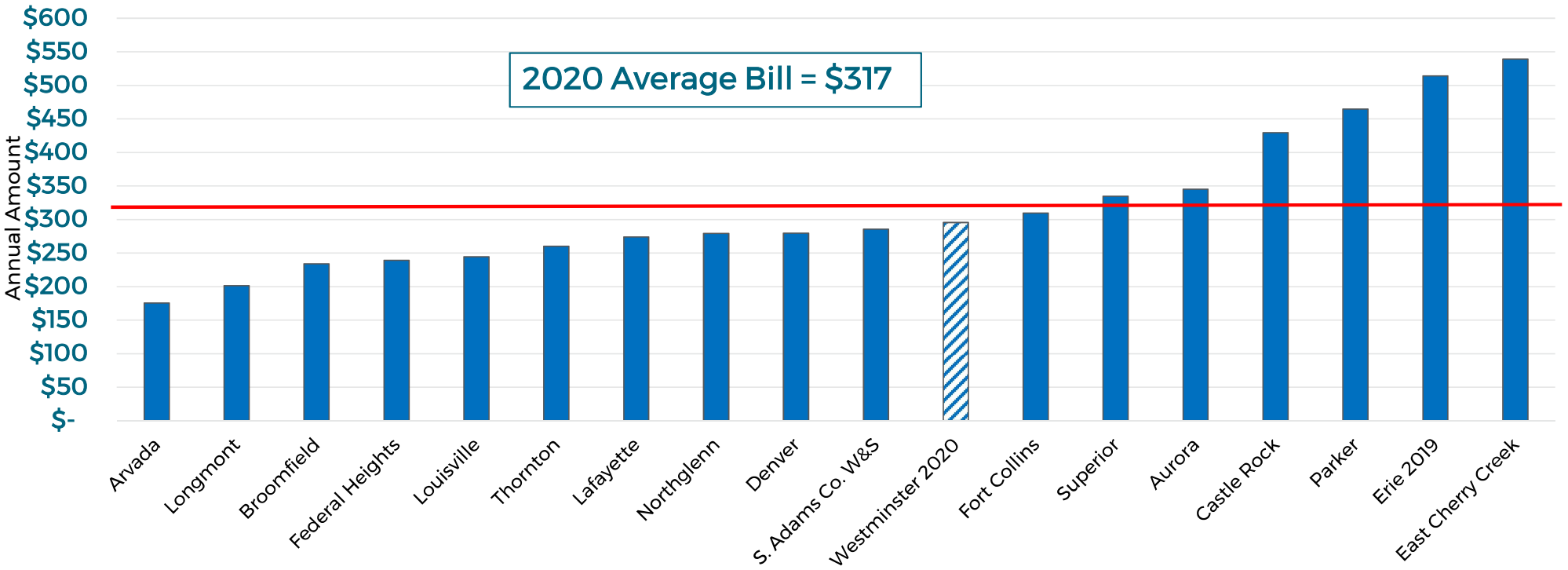
Front Range Water Use Tier Comparisons

- Most Front Range utilities have tiers
- We know of one (Broomfield) that currently has a flat rate for all water volume used

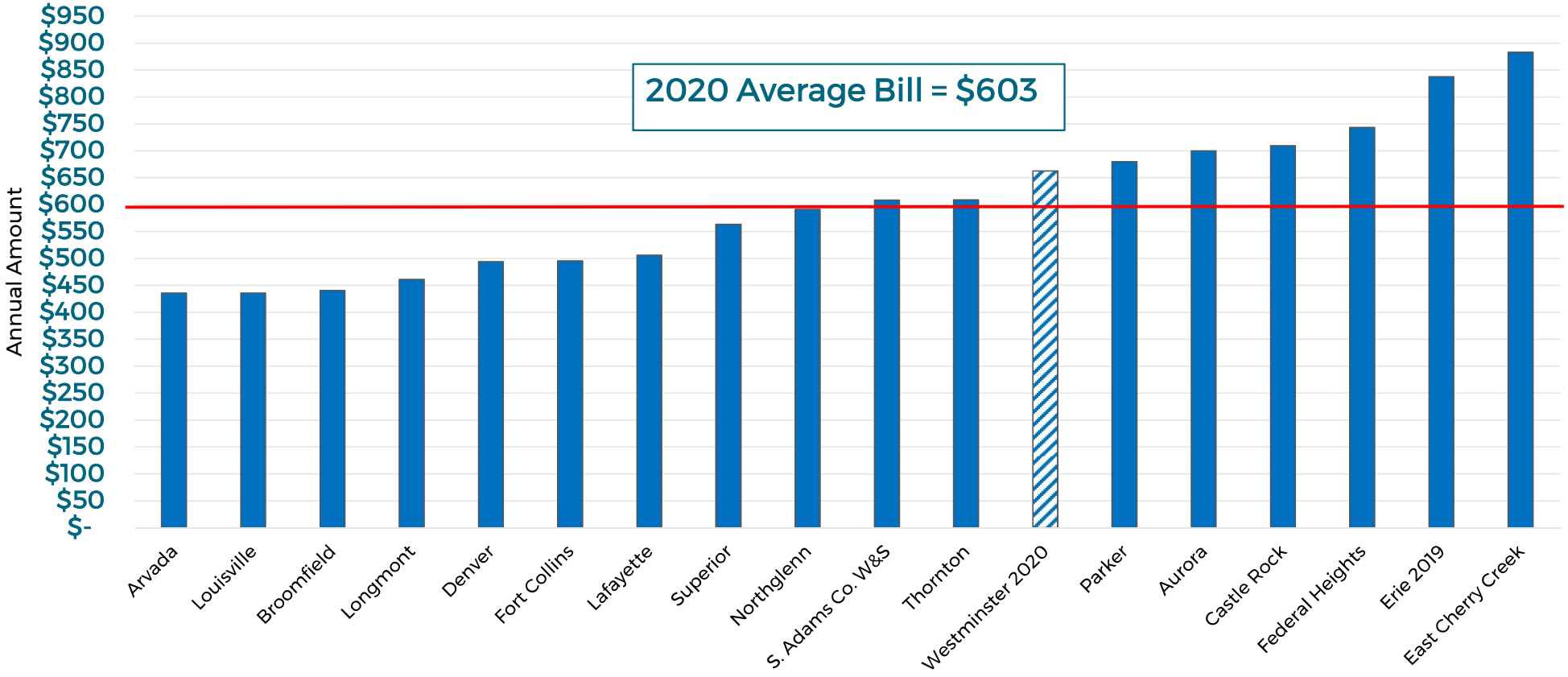
2020 Front Range Water Providers and Tiers



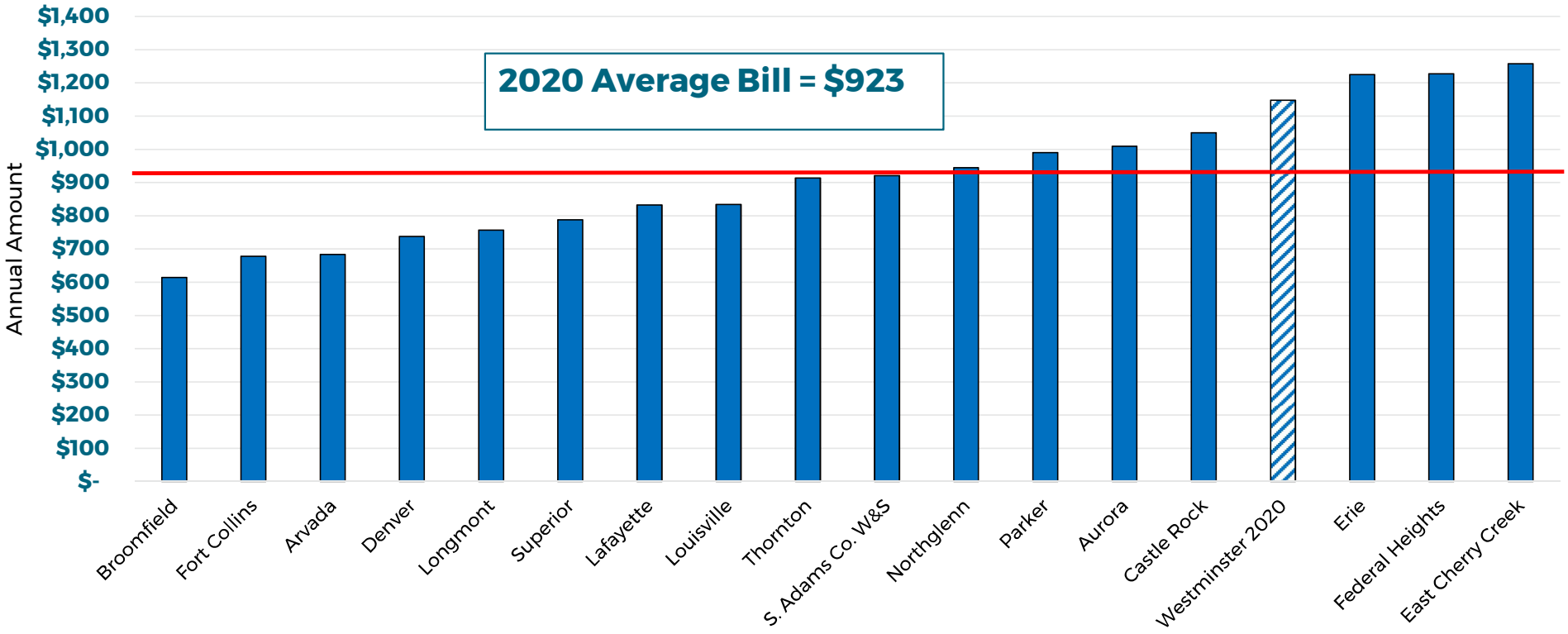
2020 Bill Comparison
Low Water Use Customer- 34,000 Gallons Used per Year



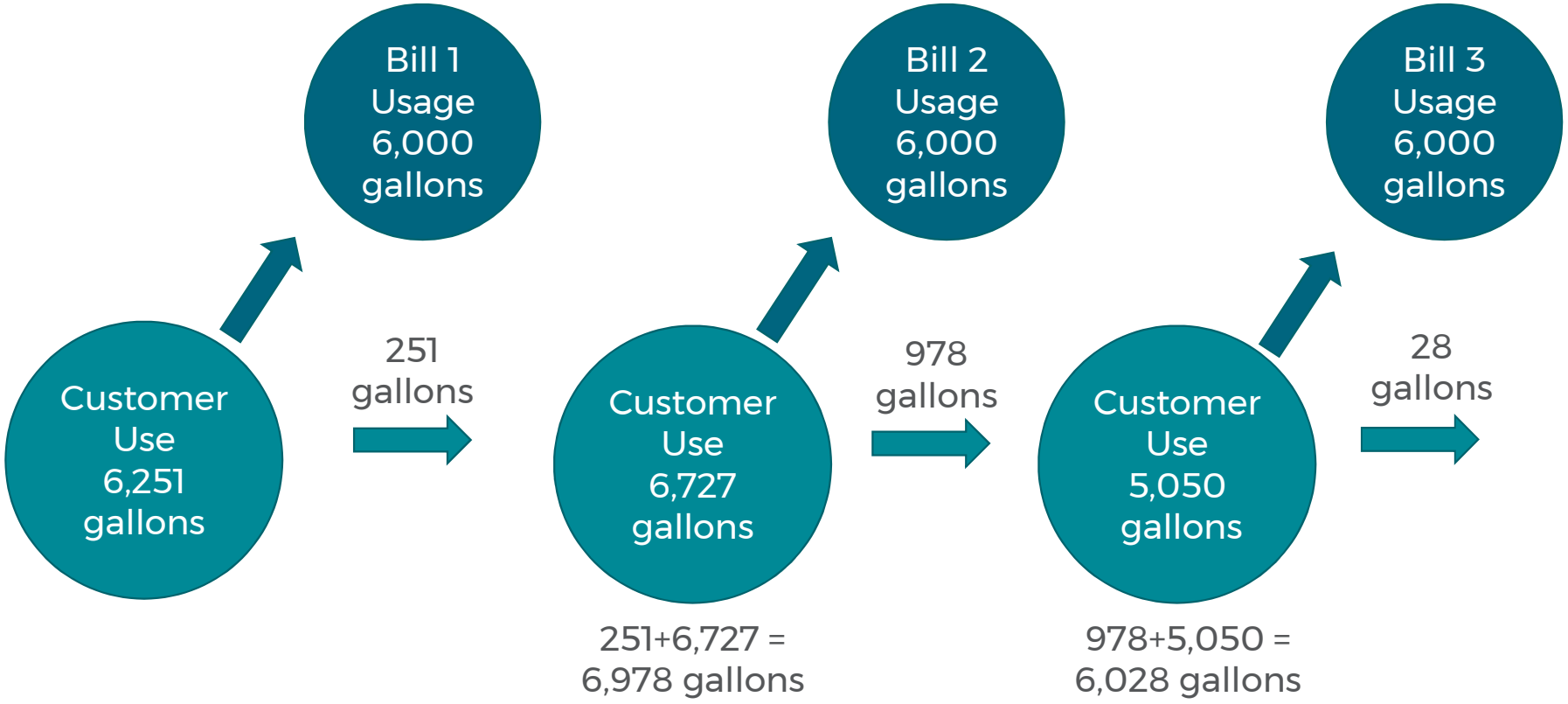
2020 Bill Comparison
Average Water Use Customer - 96,000 Gallons Used per Year



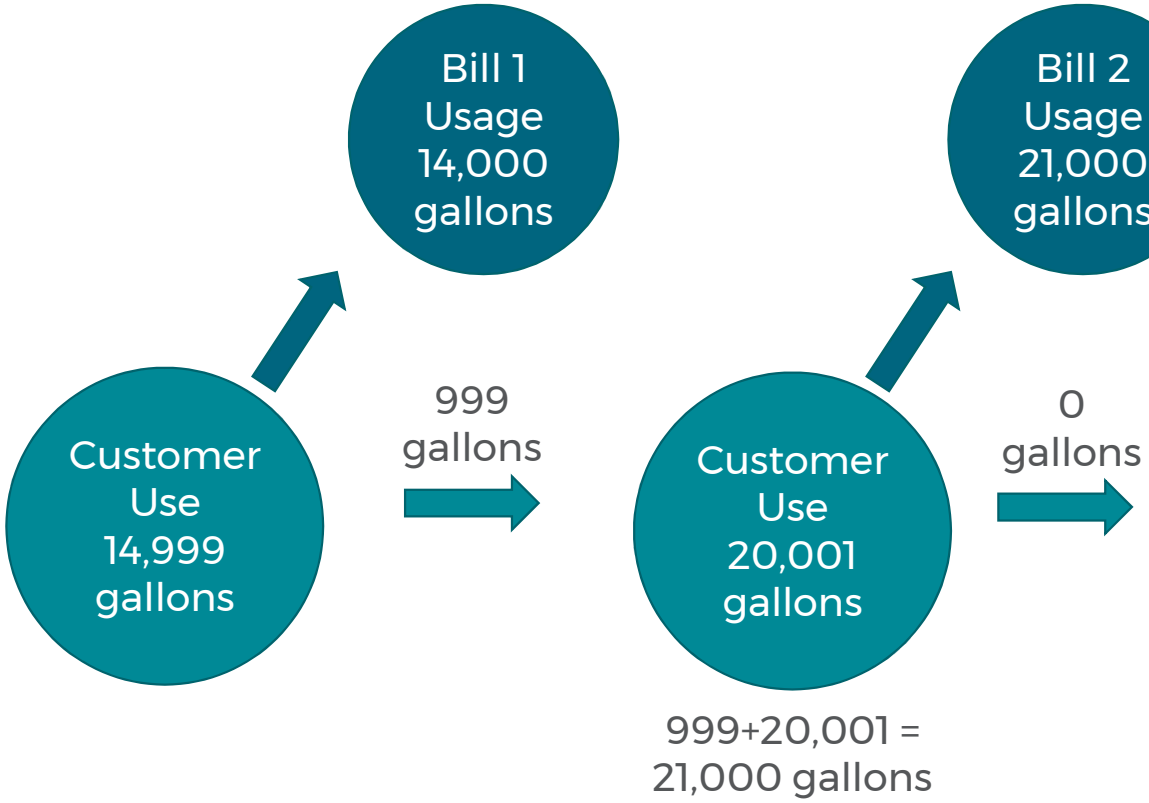
2020 Bill Comparison
High Water Use Customer - 150,000 Gallons Used per Year



How is Water Use Metered and Billed?



Are customers charged more when billing in 1,000 gallon increments?



Bill 1 + Bill 2	
Billing Method	Total Cost
1,000 gallon units	$265.80
1 gallon units	$261.07
Difference:	$4.73

Rate Adjustment Components – 2018 Cost Of Service

1. **Align** residential/commercial to cost of service
2. **Broaden** Tier 1 (indoor water use) by 50%
3. **Simplify** commercial water use tiers/implement surcharge for overuse
4. **Enhance** fixed water revenues
5. **Maintain** a single sewer rate
6. **Implement** a 2,000 gallon monthly minimum "**readiness to serve**" wastewater charge

Question: Which of all of the things we've talked about can the City control or influence? Which elements are out of the City's control? Why?

REVENUES

Item	City Can Change ★	City Cannot Change
Level of Service – CIP and Operating budgets	☆	
Meeting debt service obligations		X
City debt service coverage policy	☆	
Rate structure	☆	
Volume of water use in each tier	☆	
Price per Kgal in each tier	☆	
30-day billing cycle	☆	
Gallon-based billing	☆	
Water affordability analysis	☆	
Continue six policies adopted in 2018	☆	

Questions, Takeaways & Ideas about Water Rates?

December 15 Presentation Starts Here

Water Fund

Revenues

- Rates/Fees
- Tap Fee Sales
- Debt Proceeds
- Miscellaneous

What Are Tap Fees?

- One-time fee that developers pay to buy into the City's utility system
- Based on the value of the City's infrastructure and water resources
- Why? Helps ensure that current customers don't pay for system changes necessary for development projects.

What Are Tap Fees?

- Provide revenue for projects, and debt related to projects, that increase capacity for development.
- Can't be used toward the day to day operation of the City's system or the replacement of its existing system. That's what rates are for.
- A development project may be required to pay for system improvements in addition to their tap fee.

How do we calculate tap fees?

- There are three industry standard, legally defensible methods for calculating tap fees.
- The city uses the method best suited for our system which is also the method that results in the highest tap fee amount.
- The city's tap fee amount is based on the total replacement cost of the system and total system capacity.

How do we calculate tap fees?

- The city uses an industry leading method of applying tap fees based on how much water a specific project will use to make sure the developer is paying their fair share.
- This method encourages water-wise development projects and further protects residents from paying for system changes necessary for development projects.
- If a development project uses more water than what was calculated in their tap fee, they either pay a surcharge on their monthly bill or they are required to pay a higher tap fee.

How are tap fee prices changed?

- The replacement cost and capacity of the city's system does not change significantly annually so it is not cost effective for the city to recalculate tap fees every year.
- Instead, tap fees are adjusted each year based on an industry standard inflation amount specific to construction projects.
- It is cost effective, however, for the city to recalculate tap fees when the city conducts a cost of service study every five to ten years.
- Staff periodically surveys the water rights market for recent purchases and will suggest increasing tap fees if a notable increase in water right values is observed.

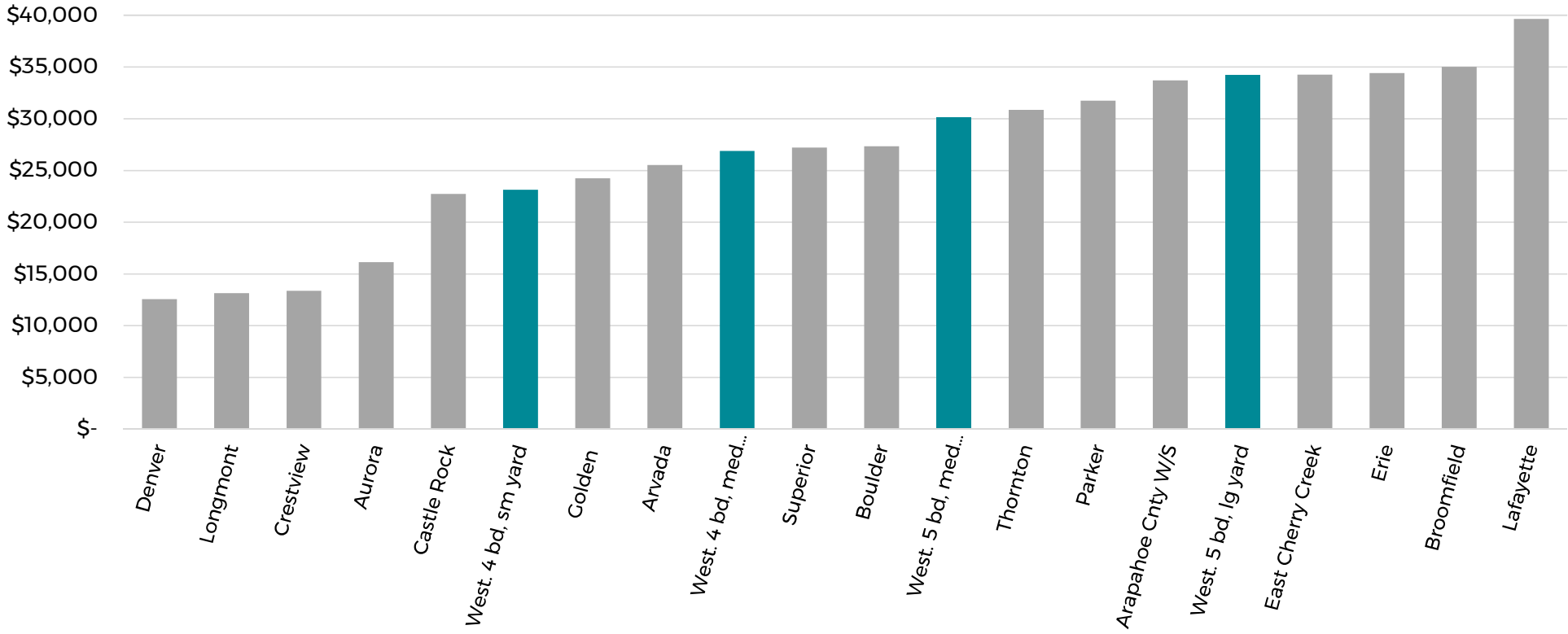
Recent Developer-Paid Tap Fees

- Multi-Family (8 Buildings, 196 Units): $4,814,007
- Hospital (338,176 sq. ft.): $1,820,423
- Hotel (212 rooms): $809,930

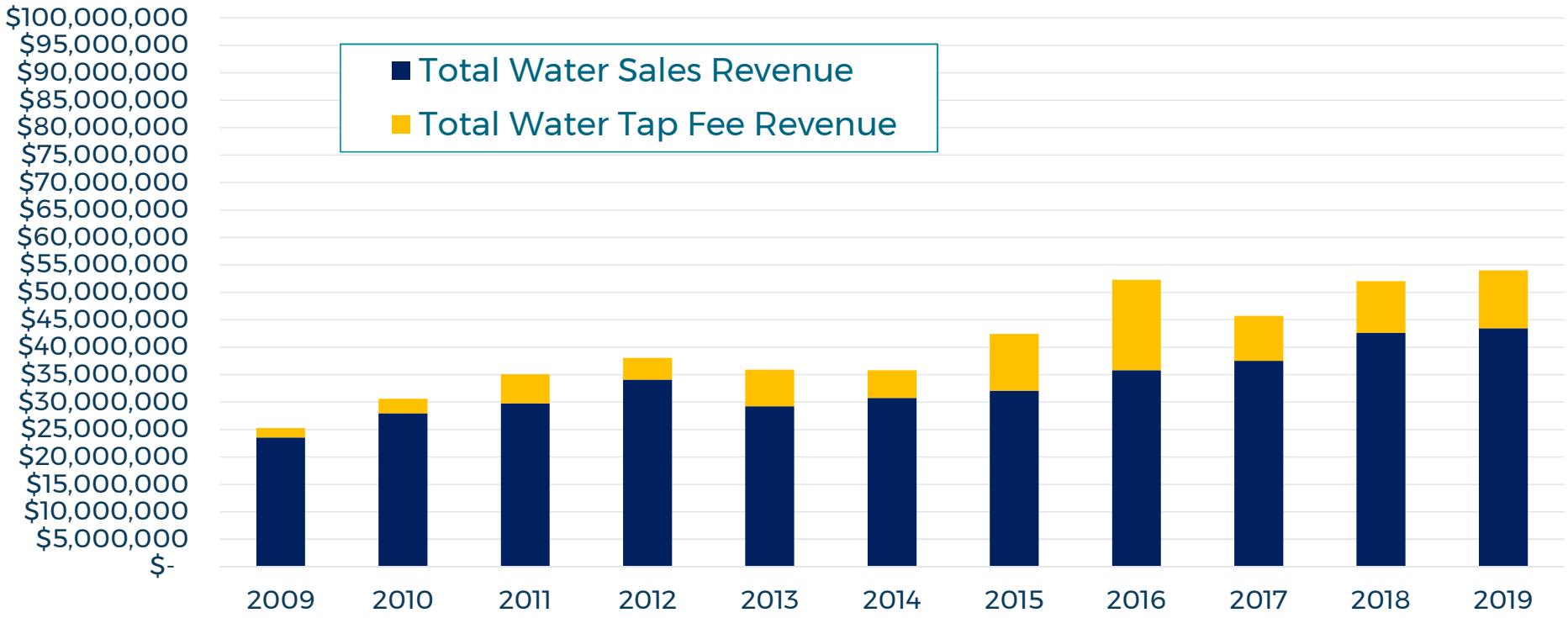
The City does not waive tap fees for new development.

All City departments pay full price tap fees.

2019 Tap Fee Comparison of Front Range Utilities – combined water + sewer tap



Water Rate + Tap Fee Revenues: 2009-2019

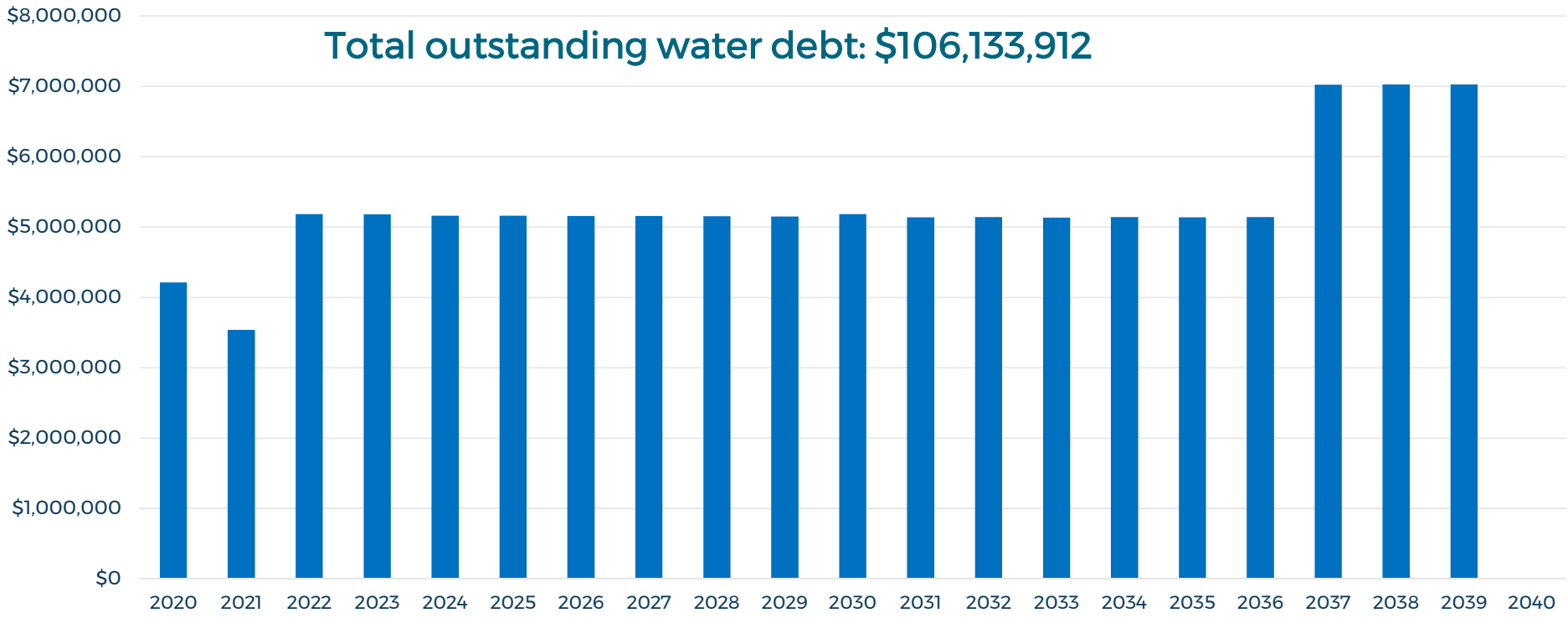


Water Fund

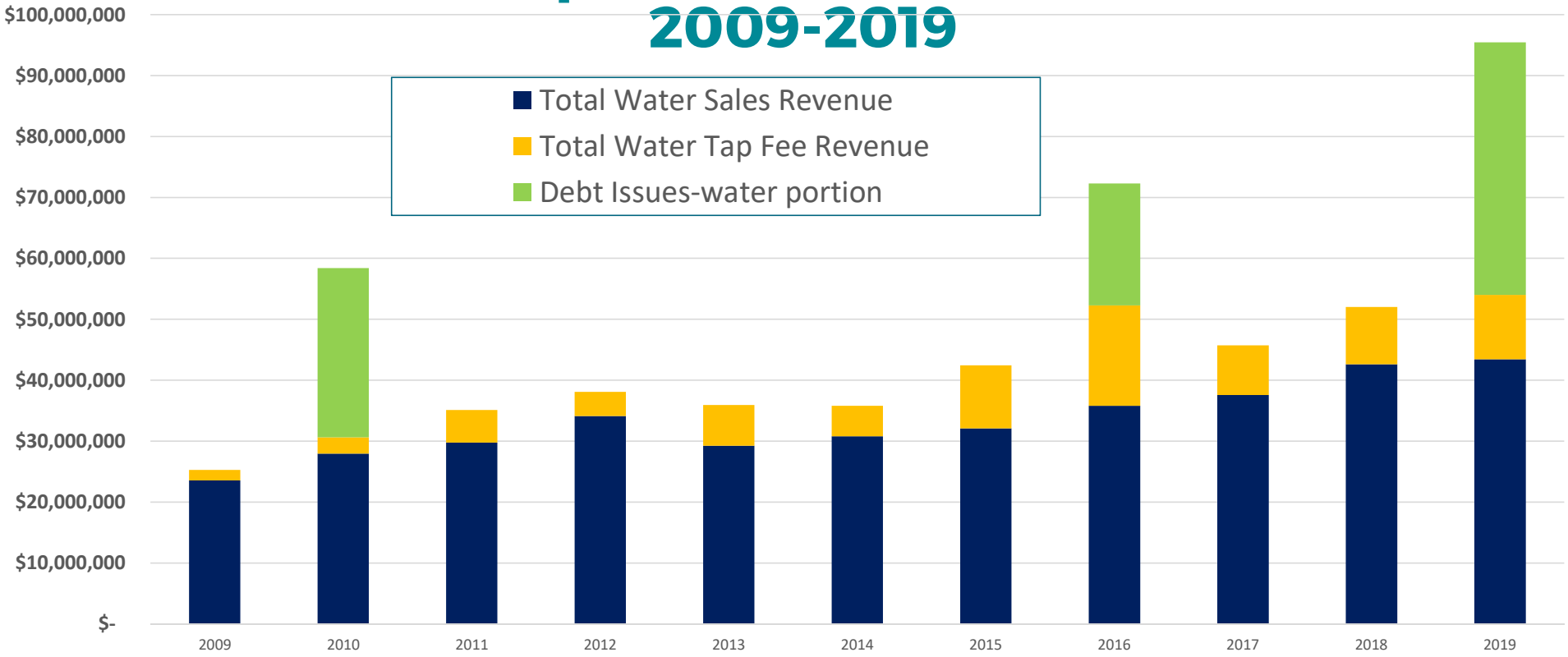
Revenues

- Rates/Fees
- Tap Fee Sales
- Debt Proceeds
- Miscellaneous

Water Debt Service Schedule 2020-2040



Water Rate + Tap Fee Revenues + Debt Proceeds: 2009-2019



Question: What "blue sky thinking" has staff done about ways to increase or diversify revenues in the short and long terms for producing and delivering clean water? Other than raising rates, what ideas have you generated and discarded?

Limited options based on Enterprise status. Rates + Tap Fees + Debt.

- Planning to use Urban Renewal Area funds for the N. Huron wastewater project
- Clearer language in our City standards for off-site development impacts and payment
  - Example: $350,000 developer cost-sharing for the wastewater pipeline project at the Meade Circle/St. Marks's affordable housing project
  - Six integrated policies from 2018, including an increase to the fixed percent of revenues over time

Question: What "blue sky thinking" has staff done about ways to increase or diversify revenues in the short and long terms for producing and delivering clean water? Other than raising rates, what ideas have you generated and discarded?

We discarded the following:

- Using General Fund money. The General Fund has its own set of existing funding challenges.
- Taxing a city income source. Concern about losing Enterprise status.
- Moving part of rate burden to non-residential customers. Increases the costs for that category out of proportion to their impact. Could potentially have economic development impacts.

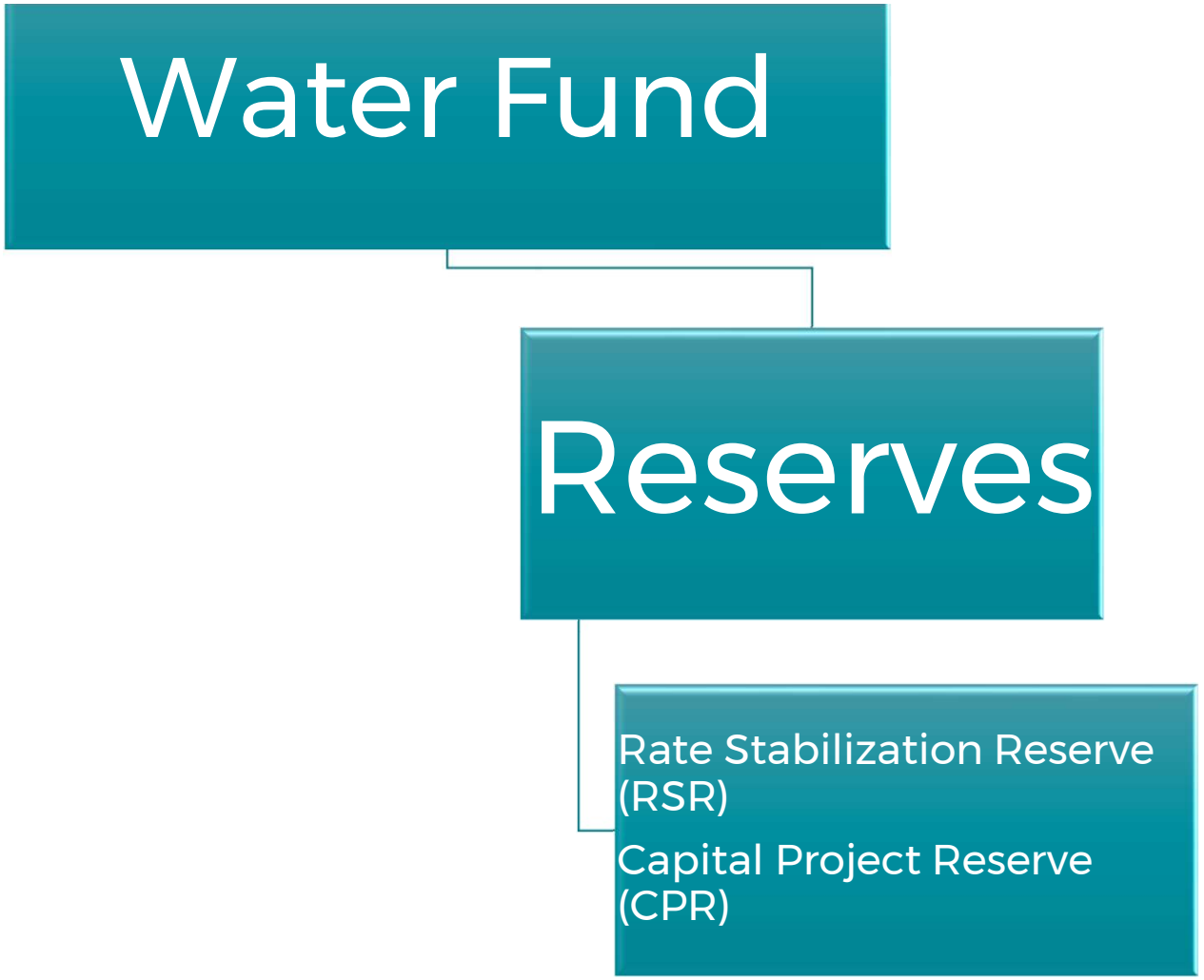


Question: Which of all of the things we've talked about can the City control or influence? Which elements are out of the City's control? Why?

REVENUES

Item	City Can Change ★	City Cannot Change
Level of Service – CIP and Operating budgets	★	
Meeting debt service obligations		X
City debt service coverage policy	★	
Rate structure	★	
Volume of water use in each tier	★	
Price per Kgal in each tier	★	
30-day billing cycle	★	
Gallon-based billing	★	
Water affordability analysis	★	
Continue six policies adopted in 2018	★	
Irrigation tap fees set to cover water resources costs	★	
Project financing strategies	★	

Questions, Takeaways & Ideas About Revenues?


Water Fund
Reserves
Rate Stabilization Reserve (RSR)
Capital Project Reserve (CPR)

What Are Reserve Accounts? How Many Are There?

- A funding strategy intended to:
  - Cover revenue shortfalls (e.g., rainy day fund).
  - Help the utility meet debt coverage requirements and bond covenants.
  - Fund CIP projects when revenues are lower (rates/tap fees) but projects are still needed or for emergencies.
- Adopted by City Council in 2006 as part of an overall Cost of Service project
- There are four:
  - **Rate Stabilization Reserve (RSR):** one for Water and one for Wastewater
  - **Capital Project Reserve (CPR)**: one for Water and one for Wastewater

How Do Reserve Accounts Work?

Funds are intended to go both into and out of the accounts

- Funds go in when revenues > expenses
- Fund come out when revenues < expenses
- Specific calculation performed by Staff annually:
  1. Revenue and expense assessment
  2. RSR funding test
  3. CPR funding test:
     a. RSR surplus?
     b. Tap fee revenue surplus?

Reserve Accounts – How Do They Work?

Test #1:
Did revenues exceed expenses? If yes, we move to Test #2.

Test #2:
Can we fund the maximum RSR amount? If we can do that, we do. If there are still additional funds, they go to the CPR.

Test#3a:
Did we exceed the maximum amount? If yes, we reduce rates/spend more on projects. We have never reached the ceiling amount.

Test #3b:
Did tap fee revenues exceed the budget? If yes, they are transferred to the CPR.

WATER Rate Stabilization Reserve (RSR) Policy

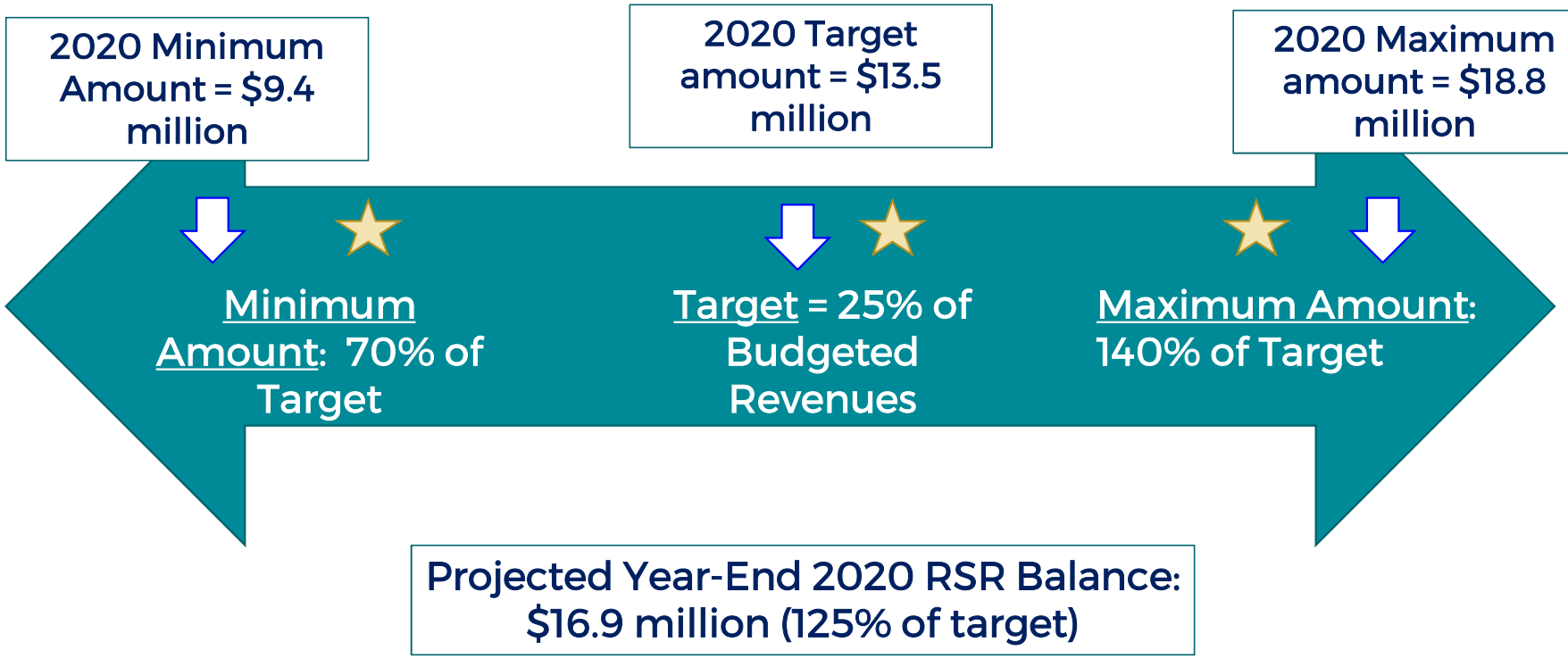
Purposes:

- Cover shortfalls in rate revenues for the Operating Budget
- Help Utility meet debt coverage requirements
- Fund additional appropriations for unexpected operating expenses, if needed

Target amount = 25% of budgeted revenues.

- Maximum balance: 140% of the target amount
- Minimum balance: 70% of the target amount

WATER Rate Stabilization Reserve (RSR) Policy and Balances



Projected Year-End 2020 RSR Balance: $16.9 million (125% of target)

WATER

Rate Stabilization Reserve Funding & Use History

Has the Utility Rate Stabilization Reserve (RSR) ever been used to pay for expenses? What is the greatest amount of the reserve that has been used in a year?

2009: expenses were greater than revenues in the Water Fund. The City used $1,257,083 of the Water RSR to meet that shortfall.

Since 2009, the RSR was used one other time, to cover a $106,185 operational shortfall in the Water Fund in 2015.

RSR WATER

Date	Explanation	Amount	Balance	Notes
12/31/2006	Beginning Balance		6,395,983	
07/26/2007	2006 Carryover	3,129,472	9,525,455	
12/31/2007	2007 Interest Earnings	547,346	10,072,801	
12/31/2008	2008 Interest Earnings	546,948	10,619,748	
12/31/2009	2009 Reserve Policy Transfers	(1,257,083)	9,362,665	shortfall this year, revenues vs expenseses (RSR tapped)
12/31/2009	2009 Interest Earnings	340,920	9,703,585	
09/15/2010	CCA: 9/13/10 ITEM 8G Carryover	572,576	10,276,161	
12/31/2010	2010 Interest Earnings	129,453	10,405,614	
12/31/2011	2011 Interest Earnings	143,942	10,549,556	
07/23/2012	KSB-CCA 07/23/12 8L CARRYOVER	487,599	11,037,155	
12/31/2012	2012 Interest Earnings	117,210	11,154,365	
08/13/2013	CCA 08/12/13 8H CARRYOVER	(342,116)	10,812,249	balancing, so as no to exceed the upper limit of the reserve
12/31/2013	2013 Interest Earnings	4,322	10,816,571	
07/29/2014	CCA 07/28/14 11a Carryover	418,698	11,235,269	
12/31/2014	2014 Interest Earnings	112,744	11,348,013	
08/11/2015	CCA 8/10/15 11f Carryover	198,113	11,546,126	
12/31/2015	CCA 03/28/16-Q4 2015 Suppl App	(106,185)	11,439,941	Item 10 H: supplemental appropriation of funds to the 2015 budget
12/31/2015	2015 Interest Earnings	86,437	11,526,378	
12/31/2016	2016 Interest Earnings	111,626	11,638,004	
08/29/2017	CCA 08/28/17 11B Carryover Sup	1,415,735	13,053,739	
12/31/2017	2017 Interest Earnings	76,284	13,130,023	
08/28/2018	CCA 08/27/18 10C Carryover Sup	1,098,465	14,228,488	
12/31/2018	2018 Interest Earnings	206,956	14,435,444	
08/12/2019	CCA 08/12/19 CARRYOVER SUPPLEM	469,070	14,904,514	
12/31/2019	2019 Interest Earnings	484,741	15,389,255	
10/12/2020	CCA 10/12/20 Carryover Sup	1,202,236	16,591,491	
12/31/2020	2020 Interest Earnings (Budgeted)	279,661	16,871,152	

Transfers Out	
Deposits	

WATER Capital Project Reserve (CPR) Policy

Purposes:

- Fund CIP projects for timely system reinvestment
- Fund emergency or unexpected projects

No Target Amount:

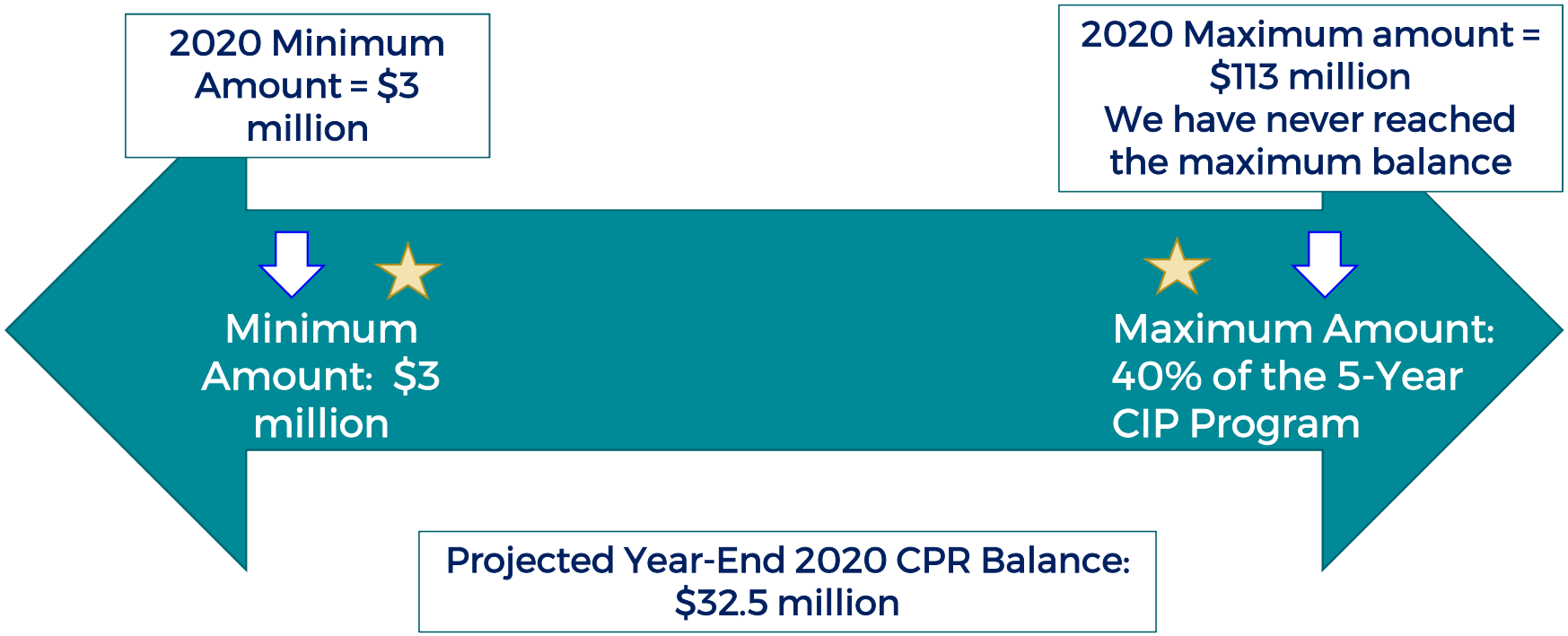
- Maximum balance = 40% of the 5-year CIP program amount
- Minimum balance = $3,000,000

2019-2023 CIP: $282 million

x 40% = $113 million

We have never reached the maximum amount.

WATER Capital Project Reserve (CPR) Policy and Balances



WATER

Capital Project Reserve Funding & Use History

Has the Capital Project Reserve (CPR) ever been used to pay for projects?

2016: Water rights purchase
2017: Water rights change case work

CPR W				
Date	Explanation	Amount	Balance	Notes
12/31/2013	2013 Interest Earnings	11,966	23,018,375	
01/31/2014	2014 Original Budget	(8,619,230)	14,399,145	funding for capital projects at the beginning of the year
07/29/2014	CCA 07/28/14 11a Carryover	3,957,240	18,356,385	
12/31/2014	Q4 2014 SUPPL APPR	(2,360,563)	15,995,822	4Q Supplemental Appropriations
12/31/2014	2014 Interest Earnings	178,821	16,174,643	
08/11/2015	CCA 8/10/15 11f Carryover	585,400	16,760,043	
12/31/2015	2015 Interest Earnings	124,082	16,884,125	
01/01/2016	2016 Original Budget	(8,573,594)	8,310,531	funding for capital projects at the beginning of the year
04/11/2016	CCA 03/28/16 8J Water Supply	(670,200)	7,640,331	
09/27/2016	CCA 09/26/16 8k Carryover Supp	2,634,101	10,274,432	
12/31/2016	2016 Interest Earnings	131,994	10,406,426	
01/31/2017	2017 Original Budget	834,176	11,240,602	funding for capital projects at the beginning of the year
07/12/2017	CCA 07/10/17 8e	(1,300,000)	9,940,602	
08/29/2017	CCA 08/28/17 11B Carryover Sup	7,273,931	17,214,533	
12/31/2017	CPR Policy Transfer	(1,837,637)	15,376,896	4Q Supplemental Appropriations
12/31/2017	2017 Interest Earnings	62,342	15,439,238	
01/31/2018	2018 Original Budget	(3,351,866)	12,087,372	funding for capital projects at the beginning of the year
08/28/2018	CCA 08/27/18 10C Carryover Sup	2,092,090	14,179,462	
12/31/2018	4Q Supplemental Appropriation	(1,576,389)	12,603,073	4Q Supplemental Appropriations
12/31/2018	2018 Interest Earnings	227,548	12,830,621	
08/12/2019	CCA 08/12/19 CARRYOVER SUPPLEM	1,552,291	14,382,912	
12/31/2019	2019 Interest Earnings	458,780	14,841,692	
10/12/2020	CCA 10/12/20 Carryover Sup	8,543,642	23,385,334	
12/31/2020	2020 Original Budget	8,885,676	32,271,010	
12/31/2020	2020 Interest Earnings (Budgeted)	278,598	32,549,608	

Transfers Out	
Deposits	

How Have Reserve Accounts Changed?

City Council adopted policy adjustments in 2011 to:

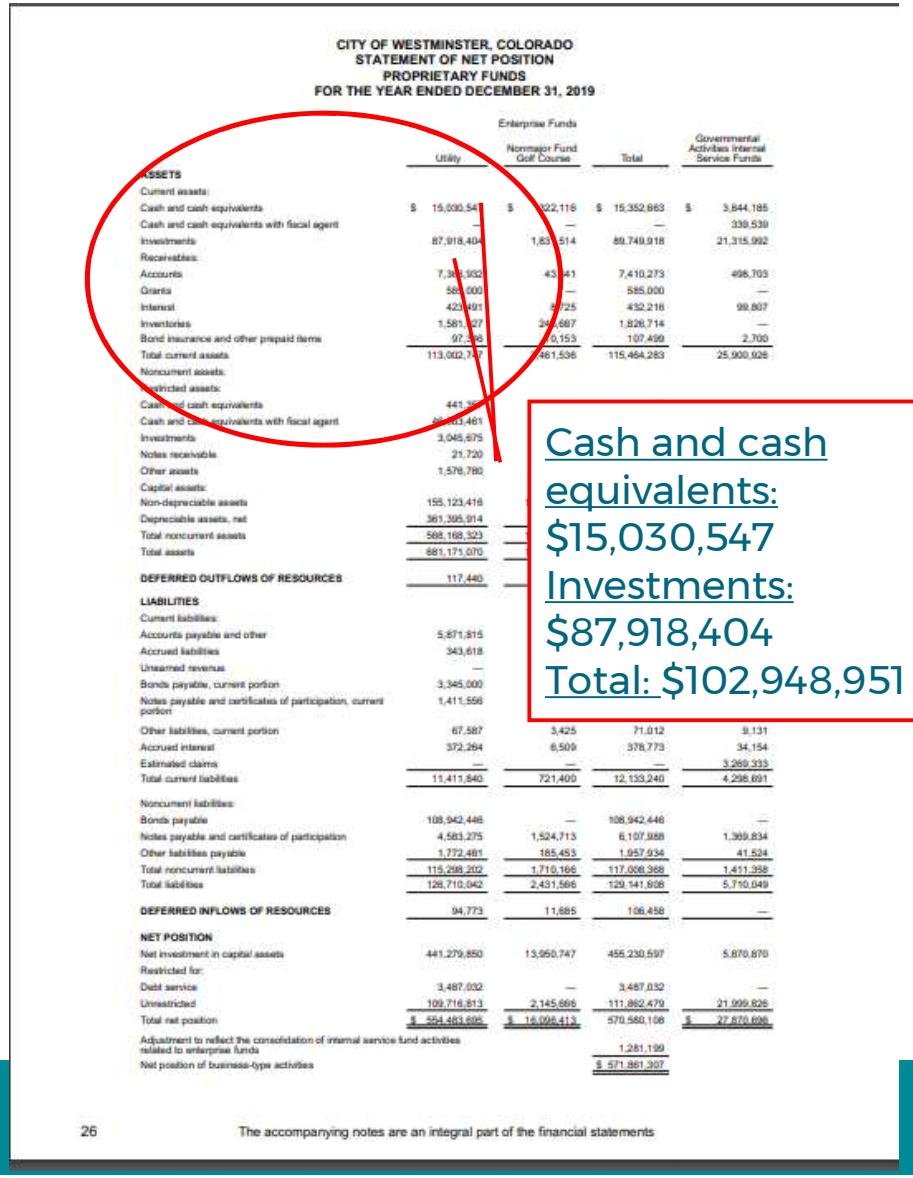
- Remove a funded Operating Reserve
- Adjust the RSR minimum amount to move from 80% of the target amount to 70% of target amount
- Set CPR minimum balance at $3,000,000 for water and maximum balance at 40% of the 5-year CIP.
- Allow the RSR/CPR balances to be included as a cash asset for bond coverage tests
- Clarify calculation process to coincide with City year-end and carryover processes

Does the Utility Have $100 Million Dollar in the Bank?

2019 CAFR: as of December 31, 2019, the city's *combined* water/sewer/stormwater utility fund has just under $103,000,000 in cash + investments:

- $48 million for ongoing & approved capital improvement projects
- $17.7 million for Rate Stabilization Reserve
- $21.5 million for Capital Project Reserve
- $6.2 million for outstanding operating expense bills at the time
- $9.6 million was added to capital reserve

$103 million



CITY OF WESTMINSTER, COLORADO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Enterprise Funds			
	Utility	Nonmajor Fund Golf Course	Total	Governmental Activities Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 15,030,547	$ 322,116	$ 15,352,663	$ 3,844,185
Cash and cash equivalents with fiscal agent	—	—	—	339,539
Investments	87,918,404	1,831,514	89,749,918	21,315,992
Receivables:				
Accounts	7,366,932	43,341	7,410,273	496,705
Grants	585,000	—	585,000	—
Interest	423,491	8,725	432,216	99,807
Inventories	1,581,927	244,787	1,826,714	—
Bond insurance and other prepaid items	97,346	10,153	107,499	2,700
Total current assets	113,002,747	2,461,536	115,464,283	25,900,928
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	441,[illegible]			
Cash and cash equivalents with fiscal agent	47,383,461			
Investments	3,045,675			
Notes receivable	21,720			
Other assets	1,576,780			
Capital assets:				
Non-depreciable assets	155,123,416			
Depreciable assets, net	361,395,914			
Total noncurrent assets	568,168,323			
Total assets	681,171,070			
DEFERRED OUTFLOWS OF RESOURCES	117,440			
LIABILITIES				
Current liabilities:				
Accounts payable and other	5,871,815			
Accrued liabilities	343,618			
Unearned revenue	—			
Bonds payable, current portion	3,345,000			
Notes payable and certificates of participation, current portion	1,411,556			
Other liabilities, current portion	67,587	3,425	71,012	9,131
Accrued interest	372,264	6,509	378,773	34,154
Estimated claims	—	—	—	3,269,333
Total current liabilities	11,411,840	721,400	12,133,240	4,298,691
Noncurrent liabilities:				
Bonds payable	108,942,446	—	108,942,446	—
Notes payable and certificates of participation	4,583,275	1,524,713	6,107,988	1,369,834
Other liabilities payable	1,772,481	185,453	1,957,934	41,524
Total noncurrent liabilities	115,298,202	1,710,166	117,008,368	1,411,358
Total liabilities	126,710,042	2,431,566	129,141,608	5,710,049
DEFERRED INFLOWS OF RESOURCES	94,773	11,685	106,458	—
NET POSITION				
Net investment in capital assets	441,279,850	13,950,747	455,230,597	5,870,870
Restricted for:				
Debt service	3,487,032	—	3,487,032	—
Unrestricted	109,716,813	2,145,686	111,862,479	21,999,826
Total net position	$ 554,483,695	$ 16,096,413	570,580,108	$ 27,870,696
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			1,281,199	
Net position of business-type activities			$ 571,861,307	

26 The accompanying notes are an integral part of the financial statements

Cash and cash equivalents: $15,030,547
Investments: $87,918,404
Total: $102,948,951

Question: Which of all of the things we've talked about can the City control or influence? Which elements are out of the City's control? Why?

RESERVES

Item	City Can Change ★	City Cannot Change
Level of Service – CIP and Operating budgets	★	
Meeting debt service obligations		X
City debt service coverage policy	★	
Rate structure	★	
Volume of water use in each tier	★	
Price per Kgal in each tier	★	
30-day billing cycle	★	
Gallon-based billing	★	
Water affordability analysis	★	
Continue six policies adopted in 2018	★	
Irrigation tap fees set to cover water resources costs	★	
Project financing strategies	★	
Utility reserve account policies	★	
Predictable/smooth/level rate increases	★	
General Fund transfer to Utility Fund	★	

Questions, Takeaways & Ideas About Reserve Accounts?

Customer Questions

- Will there be a rate increase in 2022 to reflect to reflect 2021 revenues?
  - Policy question for City Council to discuss.
- Are new meters causing spikes in usage?
  - We think Stephen Gay answered that question on 10/20/20.
- What was the 2019 actual revenue v. 2019 budget? What is the projection for 2020?
  - This will be addressed at the November 5th meeting
- Should Staff provide annual actual revenue v. budget projection on a regular basis for consideration of rate changes?
  - Staff provides this information as part of annual budget conversations, and with monthly financial updates to City Council
- Does City Council want to consider changing rates in response to revenues received above the budget?
  - Policy question for City Council to discuss.
- Are rate payers charged for repairs when contractors damage pipes?
  - No, contractors are required to make those repairs.
- Why are current customers bearing the brunt of paying for all of these current and future infrastructure projects?
  - See separate slide. Also a policy question for City Council to discuss.

What was the 2019 actual v. budget revenue? What is the 2020 projection?

Category	2019 Budget	2019 Actual	2019 Difference	2020 Budget
Reclaimed Water Use	$2,713,100	$2,381,077	-$332,023	$2,893,538
Residential Water Use	$24,766,382	$21,692,189	-$3,074,193	$30,078,947
Commercial Water Use	$8,167,800	$7,688,375	-$479,425	$7,557,541
Fixed Monthly Fee	$5,389,041	$5,576,230	$187,189	$5,437,383
Federal Heights contract	$2,088,643	$2,509,036	$420,393	$2,281,993
Brighton Pass-Through Contract	$4,074,294	$3,577,337	-$496,957	$2,958,331
Total Water Sales + Fixed Monthly Fee	**$47,199,260**	**$43,424,244**	**-$3,442,993**	**$53,881,926**

Why are customers now bearing the brunt of paying for all of these current/future projects?

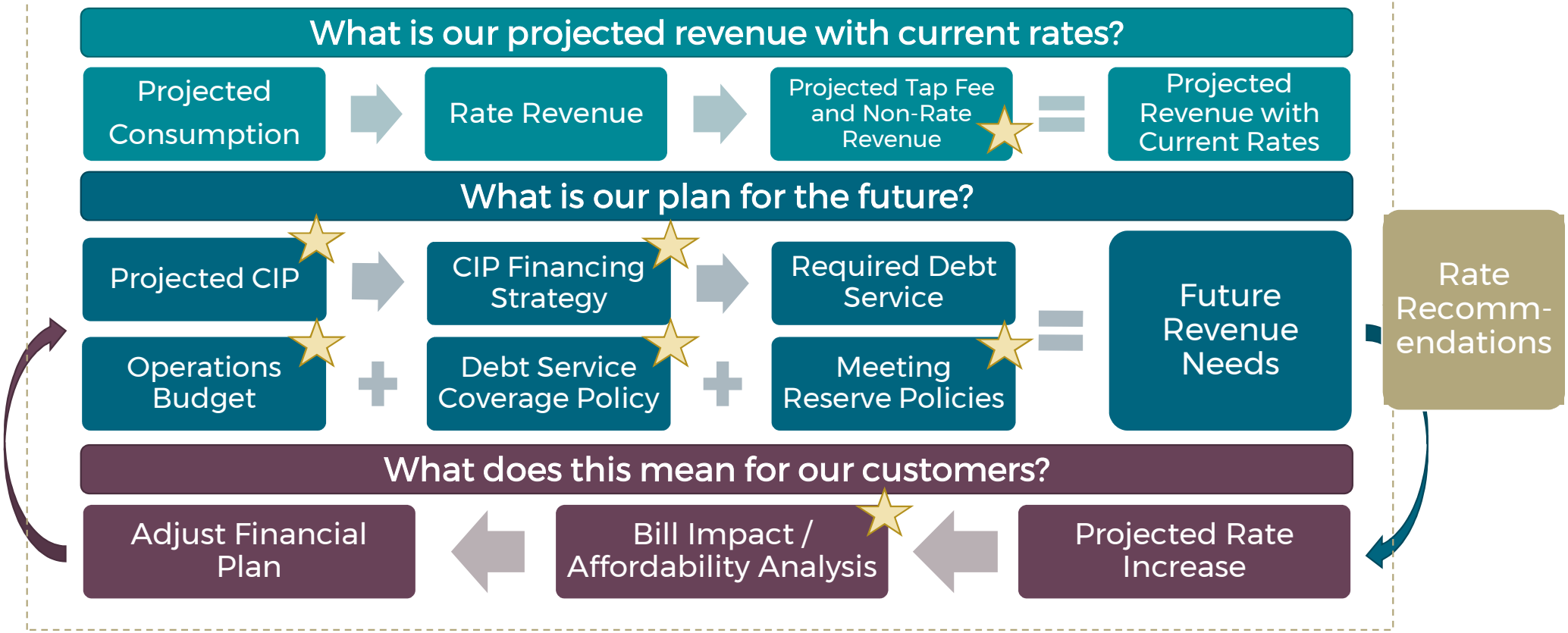
- Customers pay for the costs to deliver them the service
- Customers now pay for the costs to continue to provide them service – today and tomorrow.
- Using debt to pay for projects provides Generational Equity
- Generational Equity = customers now and into the future pay to fund the projects that benefit the current customers + future customers.

What Other Sections of the Charter Reference Rates?

Charter Section 14.4 references municipal utilities and rates.

"The Council shall have the power to fix from time to time such just and reasonable rates and other charges as may be deemed advisable for supplying the inhabitants of the City and others with such public utility services as the City may provide. There shall be no discrimination in such rates within any classification of users thereof, nor shall free service be permitted. Higher rates may be charged for service outside the corporate limits of the City."

How Are Water Rates Calculated?



Question: Which of all of the things we've talked about can the City control or influence? Which elements are out of the City's control? Why?

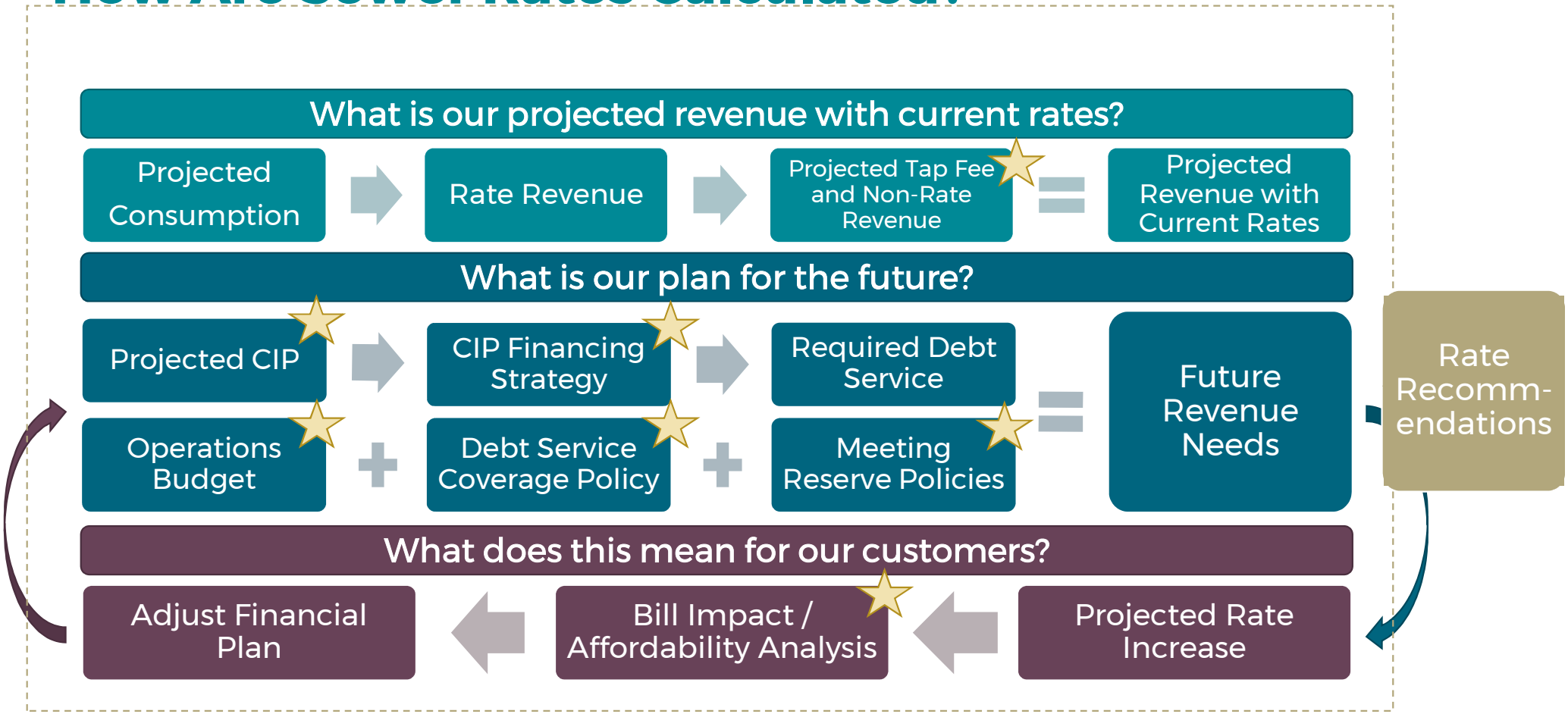
Items - WATER	City Can Change ★	City Cannot Change
Level of Service – CIP and Operating budgets	★	
Meeting debt service obligations		X
City debt service coverage policy	★	
Rate structure	★	
Volume of water use in each tier	★	
Price per Kgal in each tier	★	
30-day billing cycle	★	
Gallon-based billing	★	
Water affordability analysis	★	
Continue six policies adopted in 2018	★	
Irrigation tap fees set to cover water resources costs	★	
Project financing strategies	★	
Utility reserve account policies	★	
Predictable/smooth/level rate increases	★	
General Fund transfer to Utility Fund	★	

Sewer Costs and Rates

What Were Your Questions about Sewer?

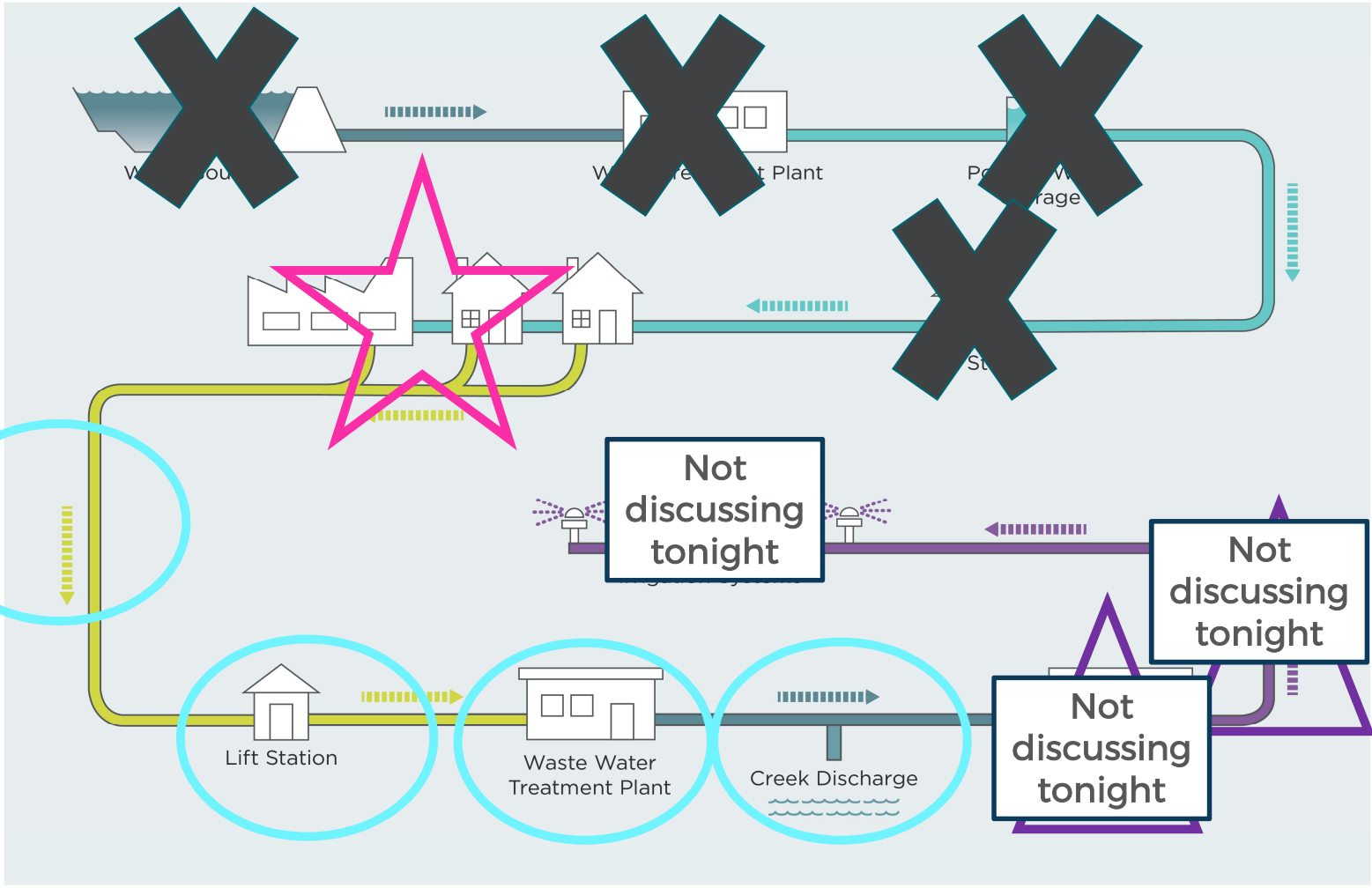
Question	Quick Response
How are sewer costs calculated? What is included in the cost amount that is associated with charter and funding mandates? If sewer infrastructure upgrades/repairs/replacements are included in those costs, please separate them.	**Costs** = operating expenses + debt service payments + capital improvement projects (CIP) + financial policy commitments. All are included in charter and funding mandates.
Are sewer rates the same as the City's costs to treat wastewater? If not, what are the additional elements that drive or determine sewer rates? If so, what (if any) sewer infrastructure upgrades/repairs/replacements are included?	**Rates** include current + future: operating, debt service payment & CIP costs + financial policy commitments.
Is there a difference between basic maintenance repairs and capital repairs for sewer infrastructure? Where's the line between O&M and capital? What determines that line?	Basic maintenance = <$20,000 asset value (Operating budget). CIP projects = >$20,000 asset (CIP budget)
Which of the elements that determine sewer costs & sewer rates are relatively constant and which are more variable and why?	Debt service and operating budget costs are relatively constant. CIP costs can be both.
Which of these elements can the City control or influence? Which elements are out of the City's control? Why?	There are many elements that are in City control. We'll tell you more in detail in further slides. Look for the stars.
What 'blue sky' thinking has Staff done about reducing costs/increasing-diversifying revenues?	We have lots of current practices, ideas and discarded options, more on that slide.

How Are Sewer Rates Calculated?



Deep Dive Information - SEWER

The Term ‘Sewer Fund’ means….

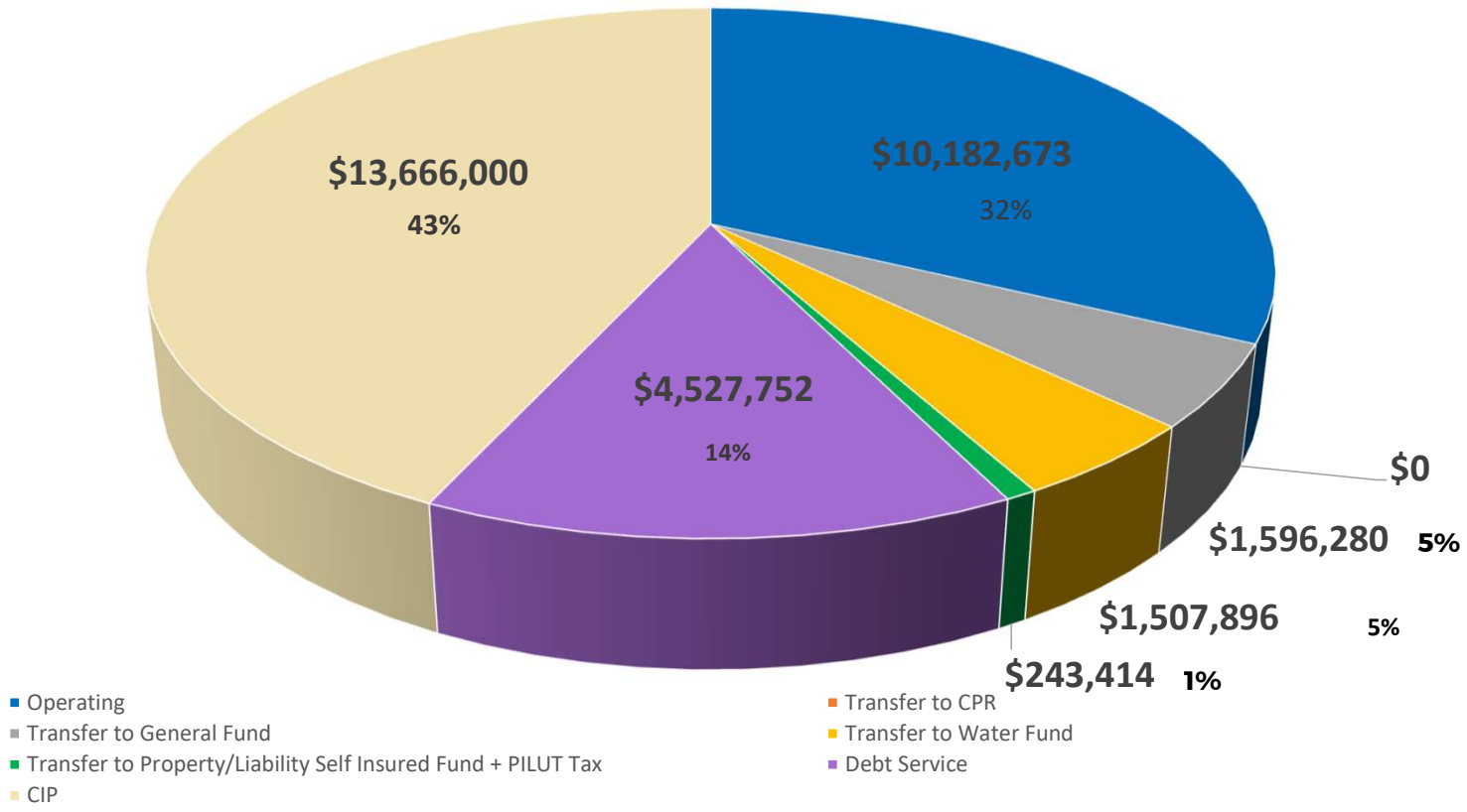


Water Fund

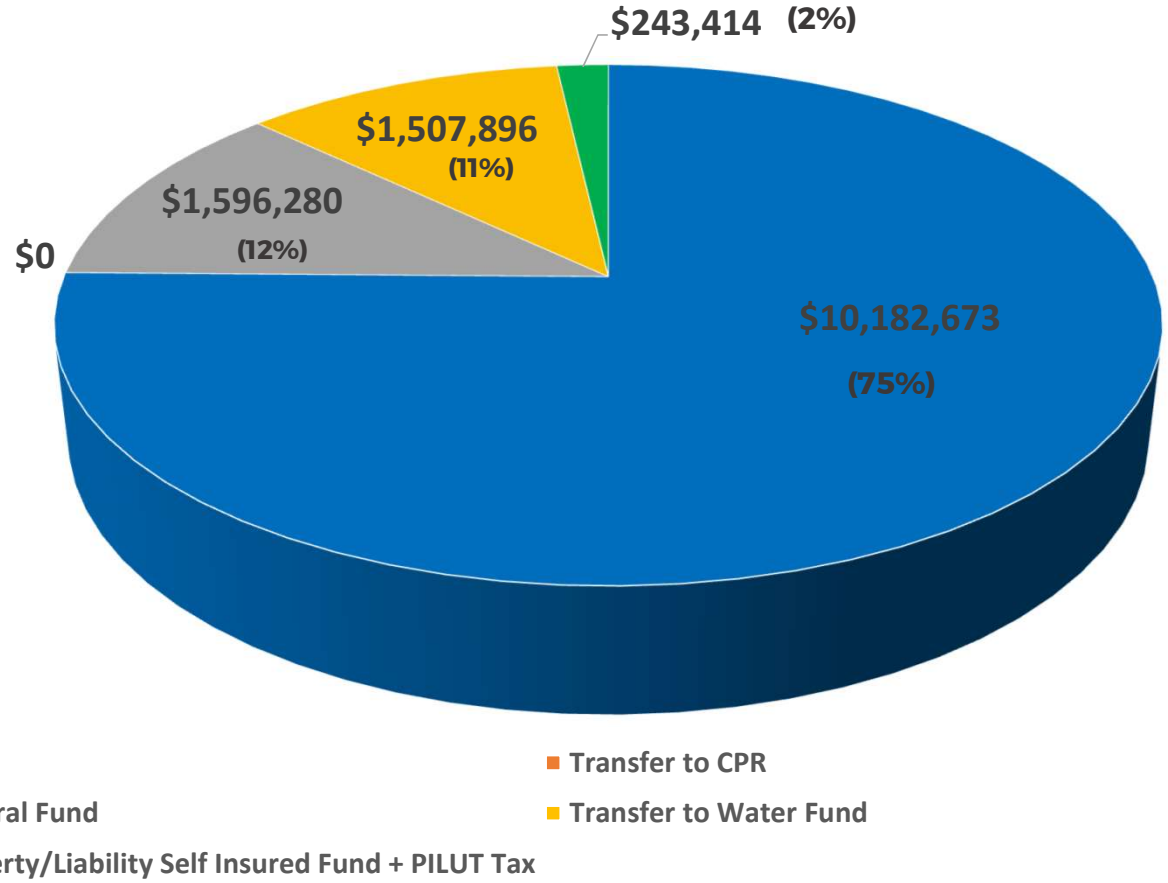
Expenses

- Operating (O&M)
- Capital Improvement Program (CIP)
- Debt Service

2021: All Sewer Costs = All Sewer Expenses = $31,724,015



2021 Sewer Operating Expenses Breakdown = $13,530,263



2021 Operating Budget = Costs = Expenses = $13,530,263

- PEOPLE: salaries, benefits, retirement, training, certifications ~$3.6M
- CONTRACTS: Metro, equipment maintenance, partner organizations, contractual agreements ~$5.8M
- PRODUCTS NEEDED TO DO WORK: equipment/parts/materials for in-house crews and in-house facility maintenance, 8" PVC water pipe, lab supplies, chemicals, fuel. ~$700K
- TRANSFERS: overhead costs to the General Fund, Property/Liability Self Insurance fund, Payment in Lieu of Sales Tax, planned transfers to the Capital Project Reserve account. ~$3.3M
- SMALL DOLLAR VALUE ASSETS (<$20,000 per piece): computer software/hardware, small vehicles, meters for new homes and replacements. ~$65K

TOTAL = approx. $13.5 Million ☆

Sewer Fund

Expenses

- Operating (O&M)
- Capital Improvement Program (CIP)
- Debt Service

SEWER CAPITAL IMPROVEMENT PROGRAM COSTS = EXPENSES

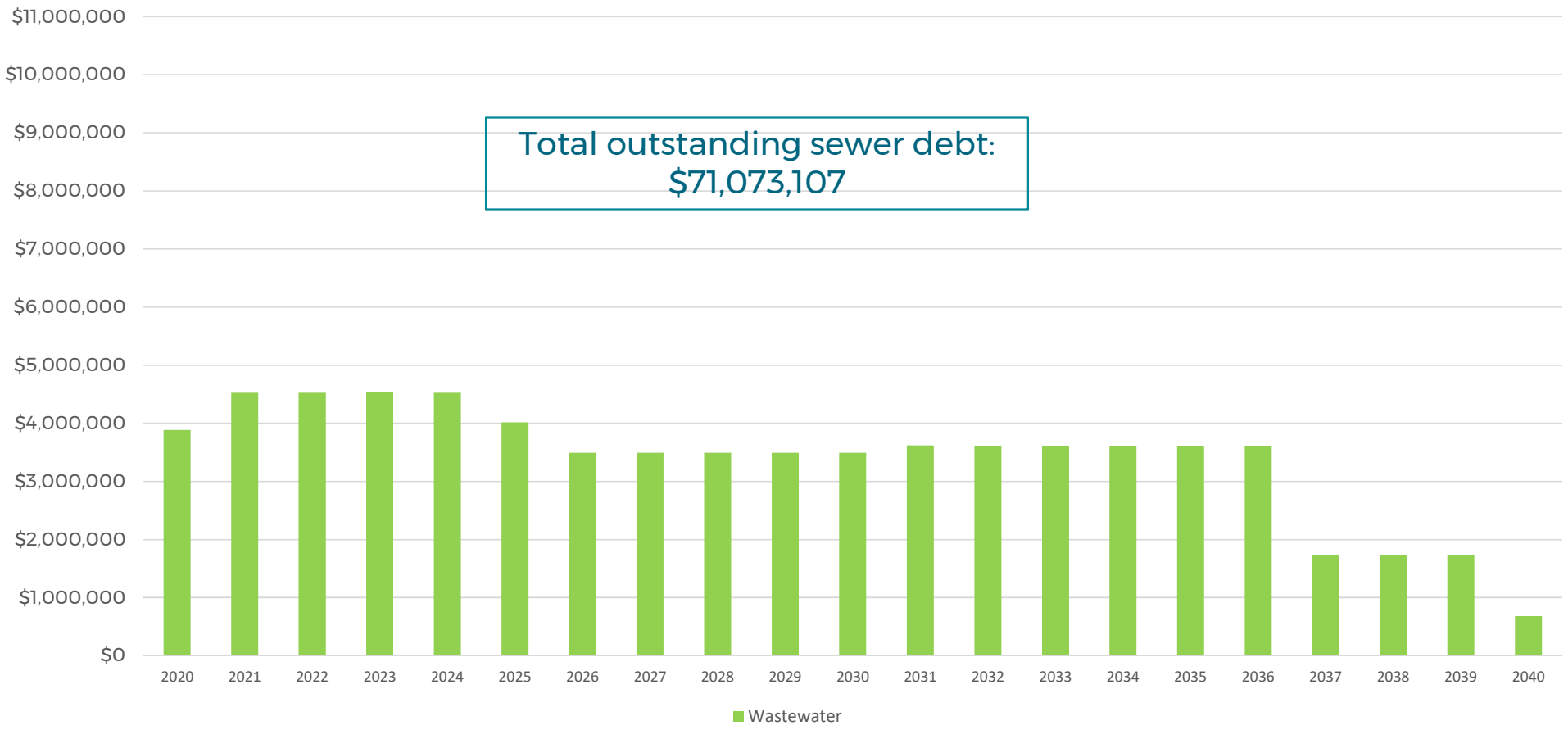
2021 Proposed - Project Name	2021 Proposed – Project Amount
88th Avenue & Zuni Street Lift Station R&R	$1,000,000
Big Dry Creek Wastewater Treatment Facility (BDCWWTF) Anoxic Zone Mix Conversion	$6,360,000
BDCWWTF Electrical – Effluent Pump Station & Motor Control Center R&R	$500,000
BDCWWTF Electrical- Primary Power & Switch Gear	$500,000
BDCWWTF Electrical - UV Bulb R&R	$1,552,000
Little Dry Creek Interceptor Sewer Outfall R&R	$3,704,000
Wastewater Capital Outlay Replacement Program (Vehicles)	$50,000
2021 Total Proposed CIP	**$13,666,000**

Sewer Fund

Expenses

- Operating (O&M)
- Capital Improvement Program (CIP)
- Debt Service

Sewer Debt Service Schedule: 2020-2040



Sewer Debt and Loans Issued 2000-2020

Year Issued	Total Amount of Debt	Sewer Fund Amount	Outstanding debt (Principal + Interest)	Projects Funded
2005	$15,440,000	$15,440,000	$5,706,845	Big Dry Creek Wastewater Treatment Plant Expansion
2016	$51,000,000	$31,000,000	$34,880,860	Biosolids Dewatering project, LDCIS R&R, Lift Stations/Forcemains R&R
2019	$43,580,000	$2,150,000	$3,085,485	Historic Westminster Sewer Pipeline
2020	$24,000,000	$24,000,000	$27,339,916	Big Dry Creek Interceptor Sewer R&R/Improvement
TOTAL	$134,020,000	$50,990,000	$71,013,107	

Question: What is included in the cost amount that is associated with charter mandates?

Charter Section	Charter Language
Section 14.6	"The rates and charges for any municipal public utility for the furnishing of water, light, heat, power, gas or sewage treatment and rubbish and garbage disposal shall be so fixed as to at least meet all the operating costs of such utility."
Section 11.1(c)	**"The Council shall have the power to issue bonds** to finance the improvement or extension of a municipally owned and operated utility, or any other project, enterprise, works or ways, if said **bonds shall be payable solely out of revenue to be derived from the operation of such utility, project, enterprise, works or ways.** The Council shall also be empowered to combine municipally owned and operated utilities, providing for their joint operation, and having so provided, may issue revenue bonds of such jointly operated utilities, pleading for the payment thereof the joint revenue of the utilities. Such joint utilities revenue bonds may be issued to acquire, extend or improve one (1), or more, or all of the jointly operated utilities."

A Debt Service Coverage Analogy

Income:	$10,000
Expenses	
(gas, food, energy, etc.):	$ 8,000
Remaining in account:	**$ 2,000**
Annual Mortgage payment:	$ 1,000
110% amount:	**$ 1,100**
125% amount:	**$1,250**
150% amount:	**$1,500**

2019 Sewer Income:	$25,124,369
2019 Sewer Expenses	
(Oper. + CIP expenses):	$9,739,052
Remaining:	$ 15,385,317
2019 Annual Sewer Debt Service amount:	$3,080,682
110% debt service amount:	**$3,388,750**
125% debt service amount:	**$3,850,852**
150% debt service amount:	**$4,621,022** ★

Cost of Borrowing for A Utility

Utility Costs of Borrowing

- What's your credit score?
- May determine your interest rate

Westminster's Current Credit Ratings

AA+ (Fitch) AAA (S&P)

Higher interest rate/harder to get credit Lower interest rate/easier to get credit

Question: What "blue sky thinking" has staff done about ways to reduce costs to produce and deliver clean water in the short and long terms?

- Always reviewing budget.
- 140+ item list of Innovative and Sustainable Cost Saving Practices provided to City Council in June:
  - Dewatering program to reduce nutrients in land application (cost savings, reduced environmental impact)
  - In-house water quality testing and studies (e.g., whole effluent testing, in-house studies)
  - In-house replacement of storm system in Osceola Drive.
  - In-house system point repairs
- Investing in capital planning to minimize long term O&M
- Refinance existing debt when possible

Question: What other ideas have you generated and discarded?

We discarded the following:

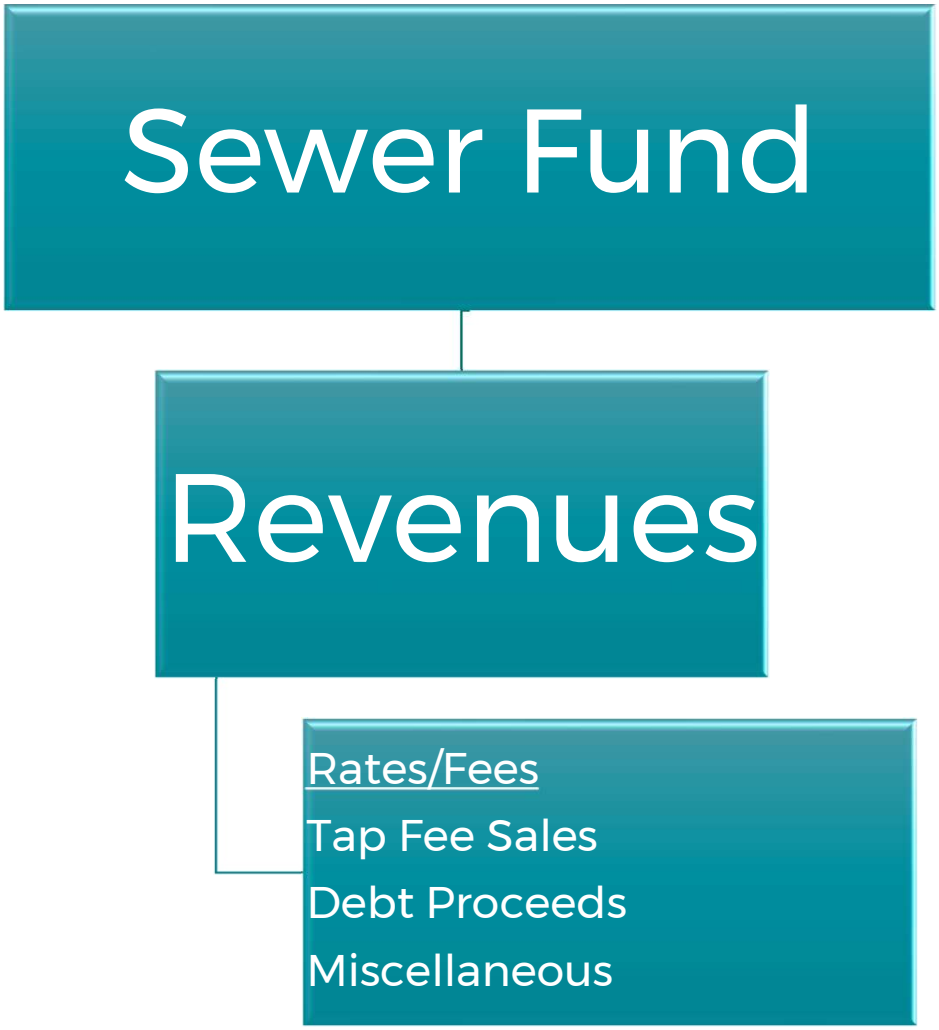
- Consolidating with another utility/or send all wastewater to Metro Wastewater Treatment District. Cost prohibitive, loss of control.
- Reducing treatment. Based on regulations.
- Entering a P3 (public-private-partnership) contract for part/all of utility operations. P3 potentially removes public input/influence, possible cost increases in short- and long-term.

Question: Which of all of the things we've talked about can the City control or influence? Which elements are out of the City's control? Why?

EXPENSES

Item	City Can Change ★	City Cannot Change
Level of Service – CIP and Operating budgets	☆	
Meeting debt service obligations		X
City debt service coverage policy	☆	

Questions, Takeaways & Ideas About Sewer Costs?


Sewer Fund
Revenues
Rates/Fees
Tap Fee Sales
Debt Proceeds
Miscellaneous

The Sewer Fund Has Three Primary Revenue Sources

How is Sewer Use Metered and Billed?

By proxy: Average Winter Consumption (AWC) ☆

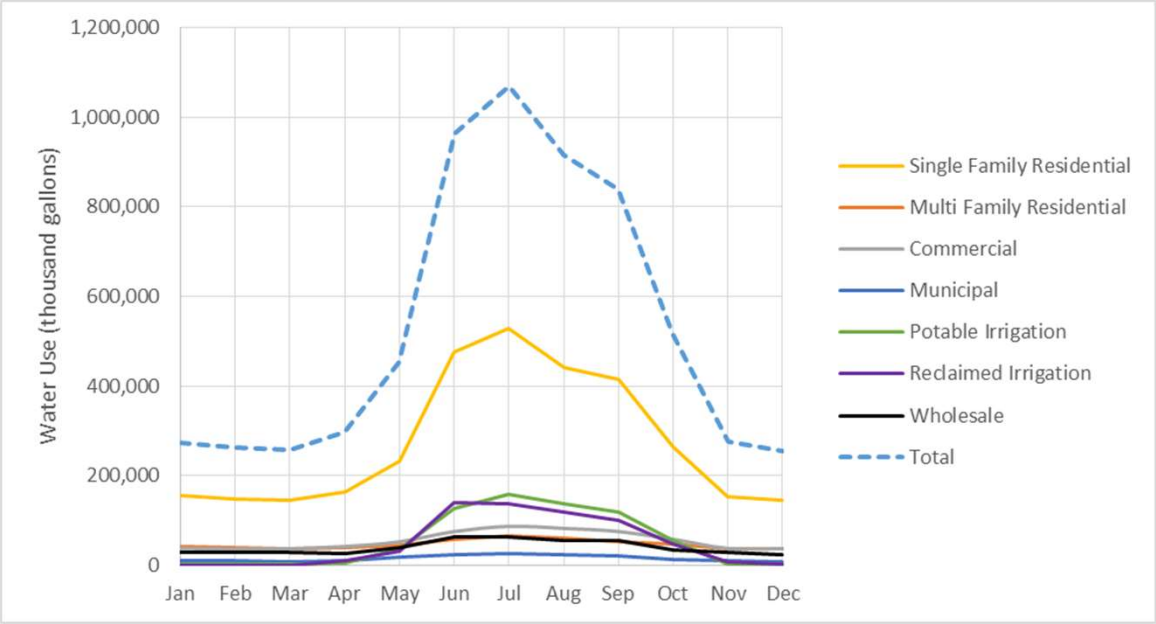
Most all winter-time water use goes back down the drain → toilet, shower, sink, clothes washer

Average of Dec, Jan, Feb water use

AWC * Sewer Rate = sewer bill

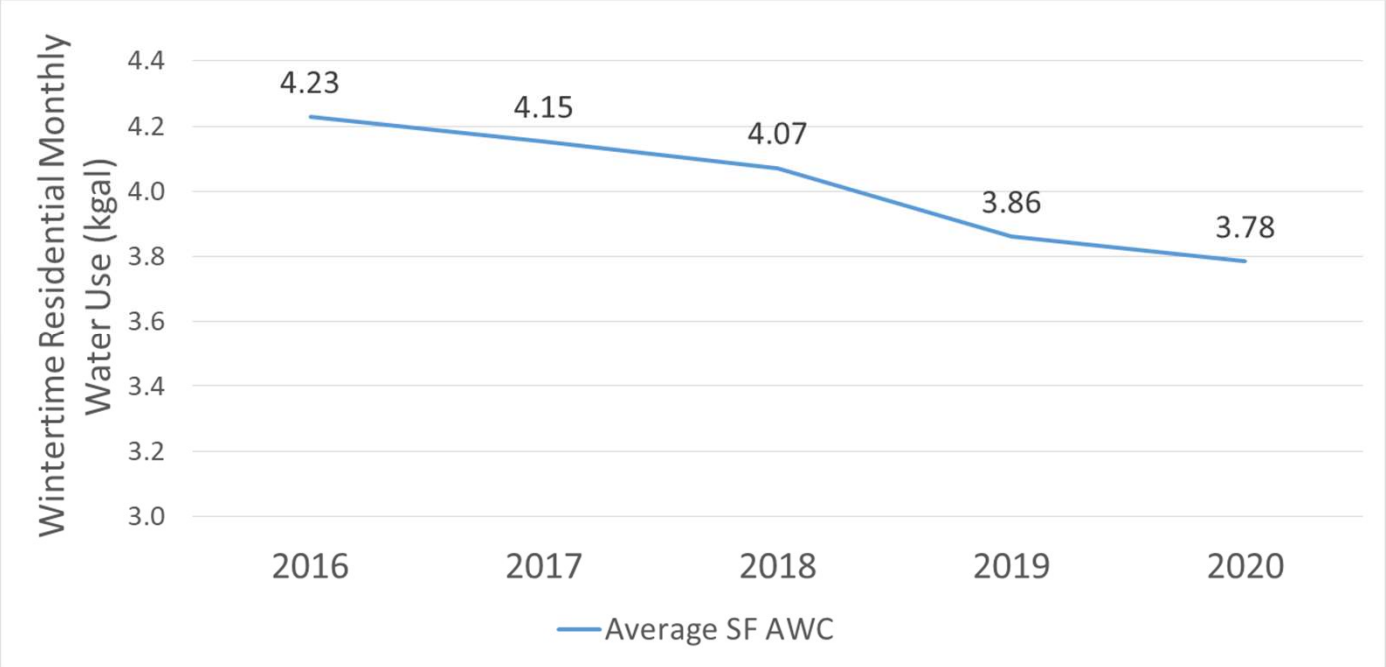
Same bill amount for 12 months

Recalculated each April



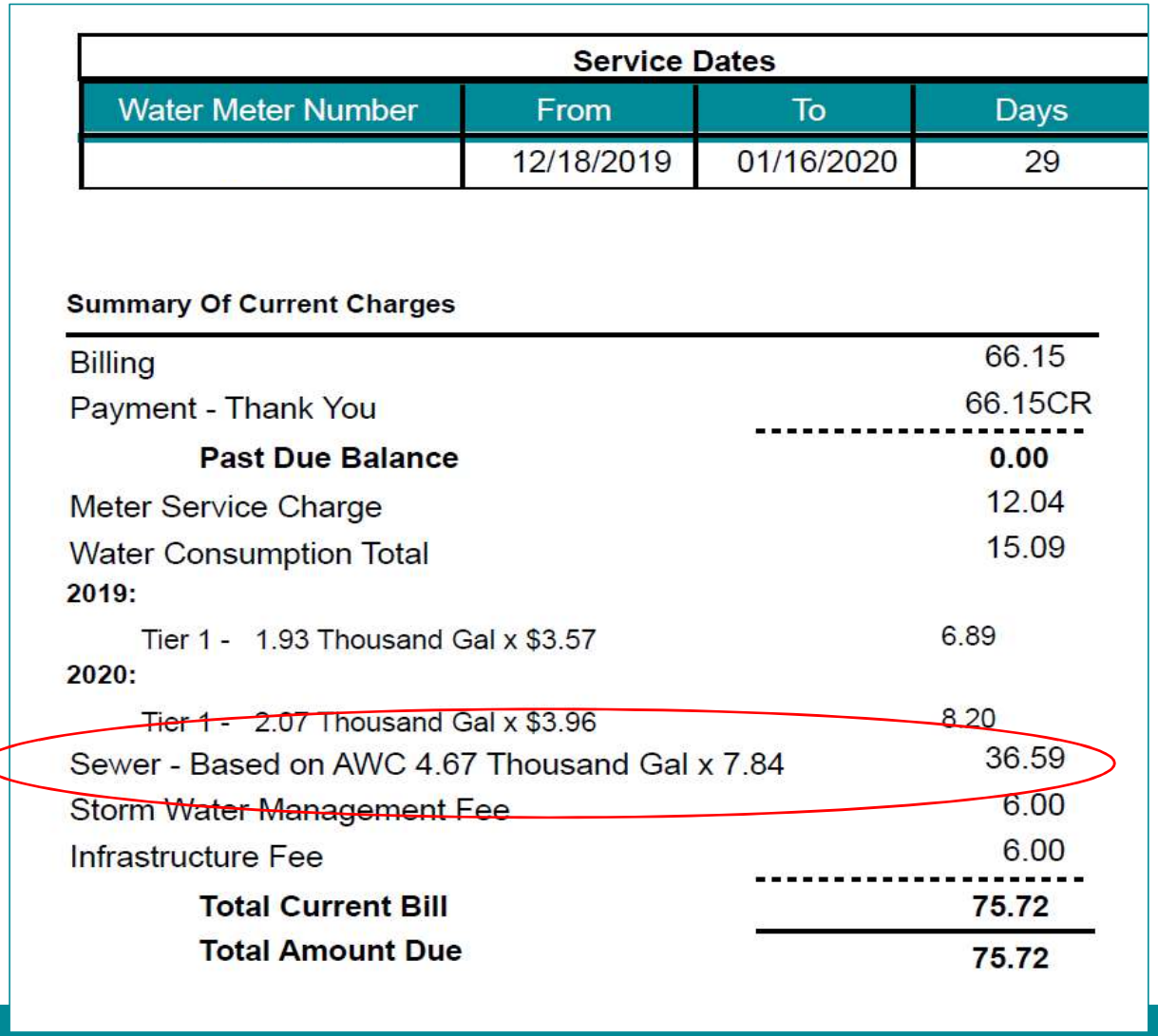
Average Winter Consumption Statistics

- In 2020, 88% of Single Family customers have an AWC less than 6,000 gallons
- Indoor water use is declining
- Sewer flow “strength” is increasing



Sewer Rates

- Residential Single Family = $7.84/kgal AWC
- All Others - $8.15/kgal AWC
- 2 kgal minimum bill



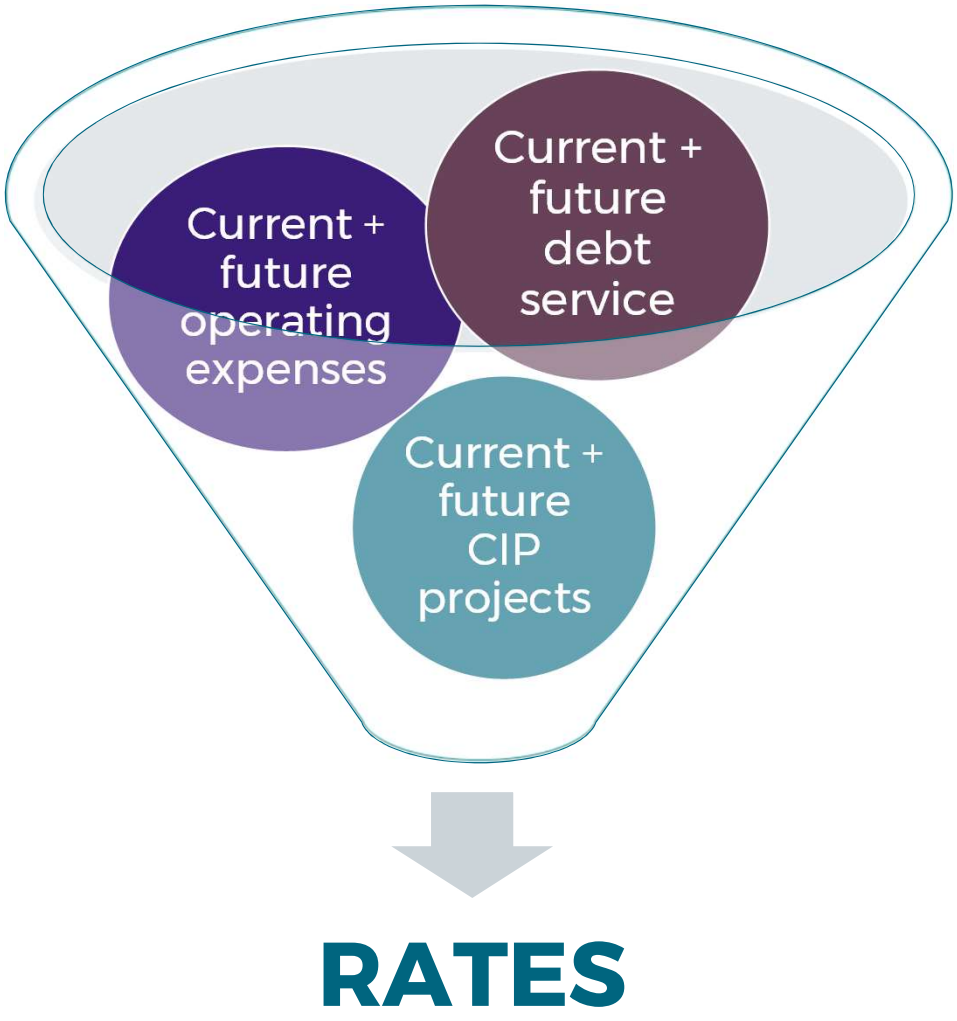
Service Dates			
Water Meter Number	From	To	Days
	12/18/2019	01/16/2020	29

Summary Of Current Charges

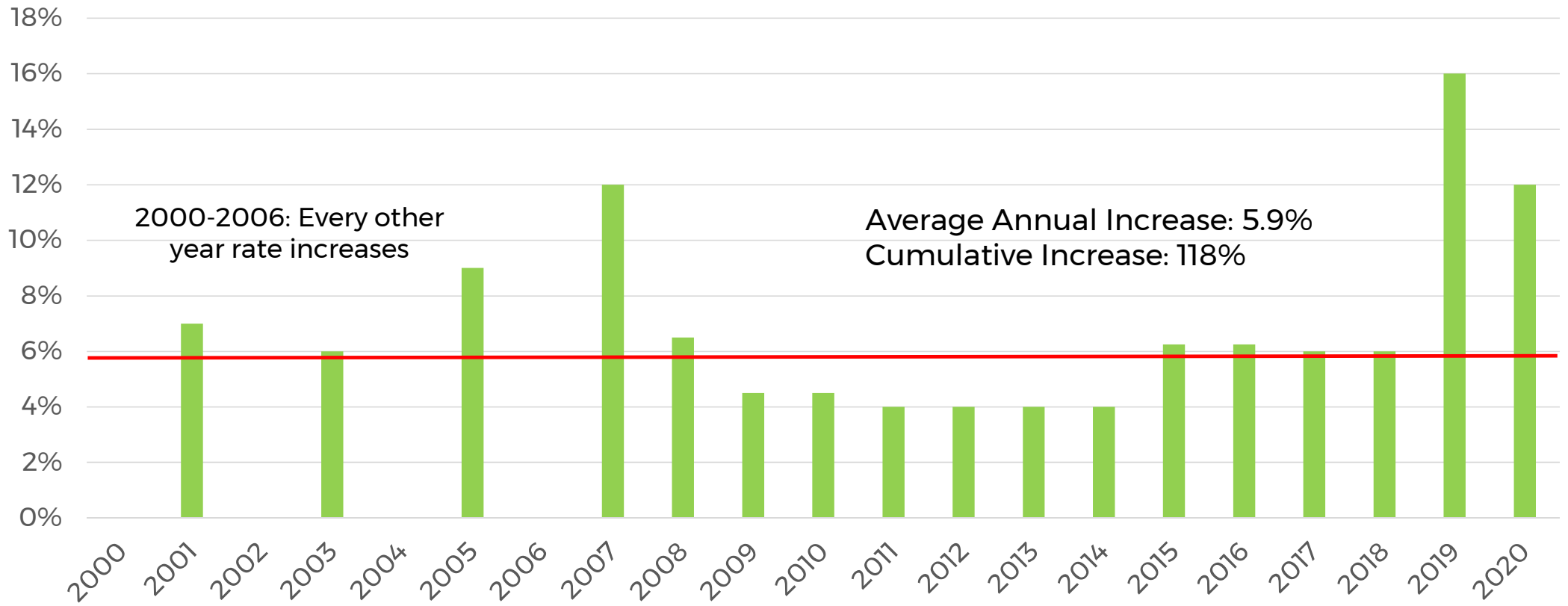
Billing	66.15
Payment - Thank You	66.15CR
Past Due Balance	**0.00**
Meter Service Charge	12.04
Water Consumption Total	15.09
2019:	
Tier 1 - 1.93 Thousand Gal x $3.57	6.89
2020:	
Tier 1 - 2.07 Thousand Gal x $3.96	8.20
Sewer - Based on AWC 4.67 Thousand Gal x 7.84	36.59
Storm Water Management Fee	6.00
Infrastructure Fee	6.00
Total Current Bill	**75.72**
Total Amount Due	**75.72**

Question: Are sewer rates the same as the City's costs to treat wastewater?

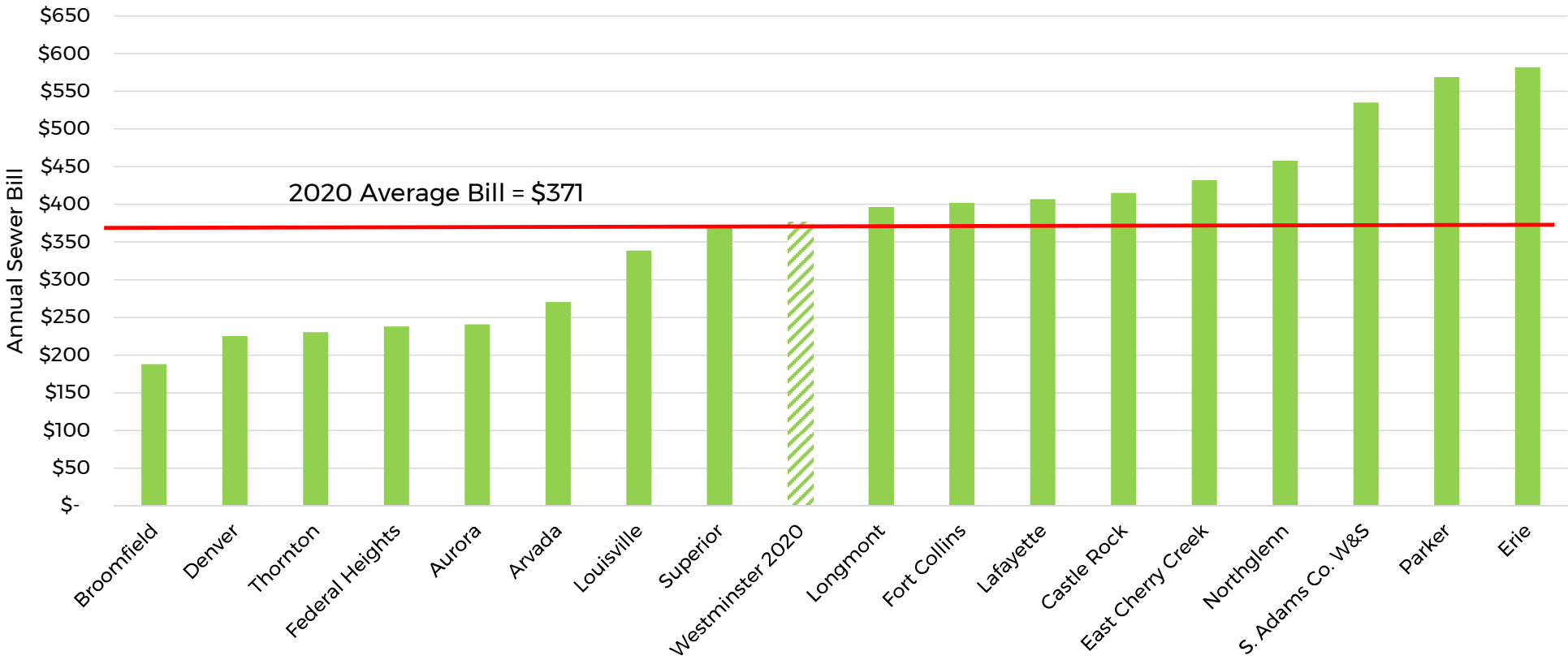
If not, what are the additional elements that drive or determine sewer rates? If so, what (if any) sewer infrastructure upgrades-repairs-replacements are included?



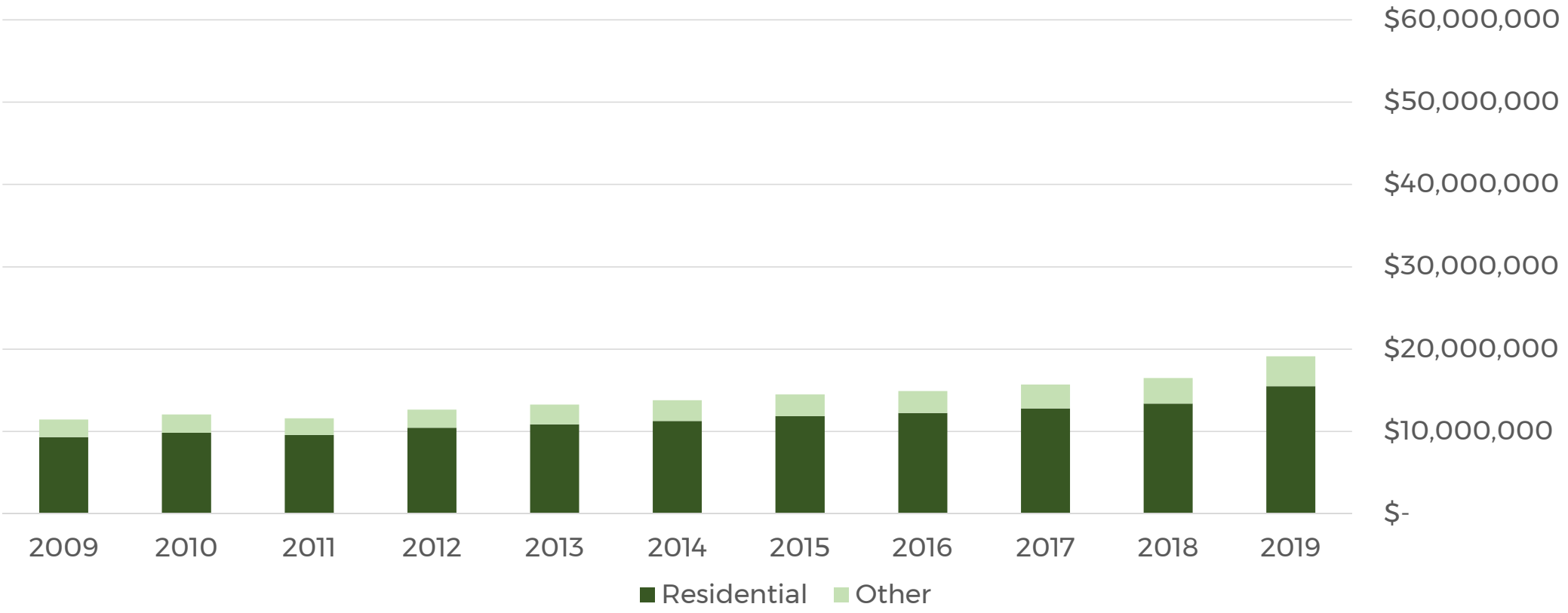
Sewer Rate Revenue Increase History: 2000-2020



2020 Bill Comparison - 4,000 Gallons Sewer Use



All Sewer Rate Revenues (2 categories): 2009-2019



Rate Adjustment Components – 2018 Cost Of Service

1. **Align** residential/commercial to cost of service
2. **Broaden** Tier 1 (indoor water use) by 50%
3. **Simplify** commercial water use tiers/implement surcharge for overuse
4. **Enhance** fixed water revenues
5. **Maintain** a single sewer rate
6. **Implement** a 2,000 gallon monthly minimum "**readiness to serve**" wastewater charge

Question: Which of all of the things we've talked about can the City control or influence? Which elements are out of the City's control? Why?

REVENUES

Item	City Can Change ★	City Cannot Change
Level of Service – CIP and Operating budgets	☆	
Meeting debt service obligations		X
City debt service coverage policy	☆	
Rate structure/2 Kgal minimum	☆	
Price per Kgal in each tier	☆	
30-day billing cycle	☆	
Gallon-based billing	☆	
Continue six policies adopted in 2018	☆	
	☆	

Questions, Takeaways & Ideas about Sewer Rates?

Sewer Fund

Revenues

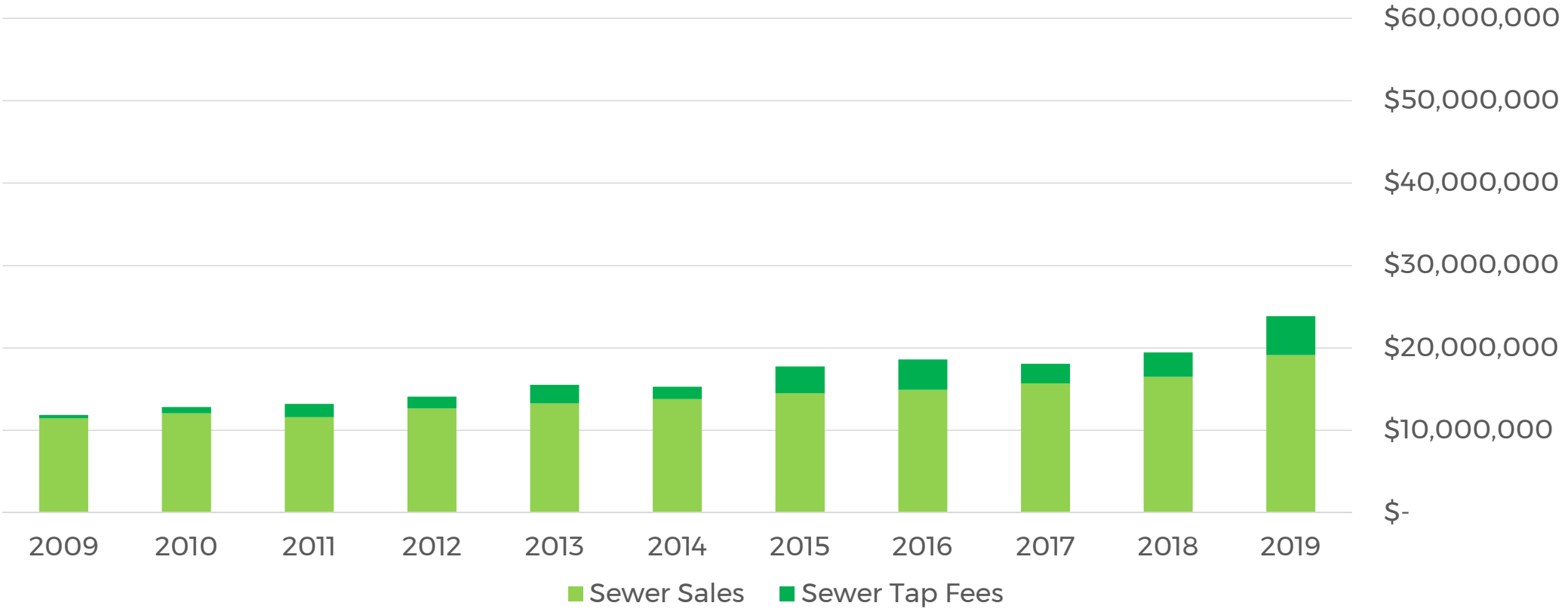
- Rates/Fees
- Tap Fee Sales
- Debt Proceeds
- Miscellaneous

What Are Tap Fees?

- The one-time fee that developers are charged to buy into the City's systems:
  - Water
  - Wastewater
  - Irrigation (including reclaimed water)
- Based on the value of:
  - infrastructure
  - water resources

Once a tap fee is paid, the new development becomes a rate-paying customer

Sewer Rate + Tap Fee Revenues: 2009-2019

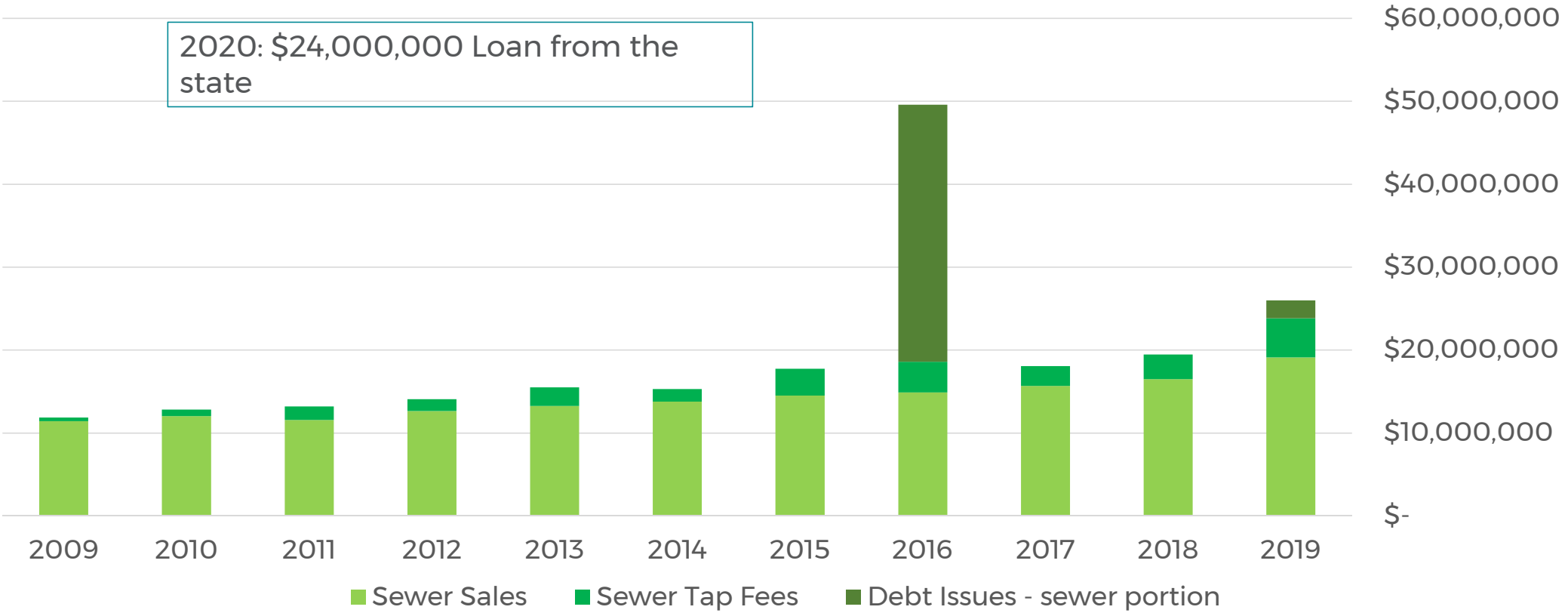


Water Fund

Revenues

- Rates/Fees
- Tap Fee Sales
- Debt Proceeds
- Miscellaneous

Sewer Rates + Tap Fees + Debt Proceeds: 2009-2019



Question: What "blue sky thinking" has staff done about ways to increase or diversify revenues in the short and long terms for treating wastewater?

Limited options based on Enterprise status. Rates + Tap Fees + Debt.

- Planning to use Urban Renewal Area funds for the N. Huron wastewater project
- Clearer language in our City standards for off-site development impacts and payment
  - Example: $350,000 developer cost-sharing for the wastewater pipeline project at the Meade Circle/St. Marks's affordable housing project
  - Six integrated policies from 2018, including an increase to the fixed percent of revenues over time

Question: What ideas have you generated and discarded?

We discarded the following:

- Using General Fund money. The General Fund has its own set of existing funding challenges.
- Taxing a city income source. Concern about losing Enterprise status.
- Moving part of rate burden to non-residential customers. Increases the costs for that category out of proportion to their impact. Could potentially have economic development impacts.

Question: Which of all of the things we've talked about can the City control or influence? Which elements are out of the City's control? Why?

REVENUES

Item	City Can Change ★	City Cannot Change
Level of Service – CIP and Operating budgets	☆	
Meeting debt service obligations		X
City debt service coverage policy	☆	
Rate structure/2 Kgal minimum	☆	
Price per Kgal in each tier	☆	
30-day billing cycle	☆	
Gallon-based billing	☆	
Continue six policies adopted in 2018	☆	
Project financing strategies	☆	

Questions, Takeaways & Ideas About Revenues?

Sewer Fund

Reserves

- Rate Stabilization Reserve (RSR)
- Capital Project Reserve (CPR)

SEWER Rate Stabilization Reserve (RSR) Policy

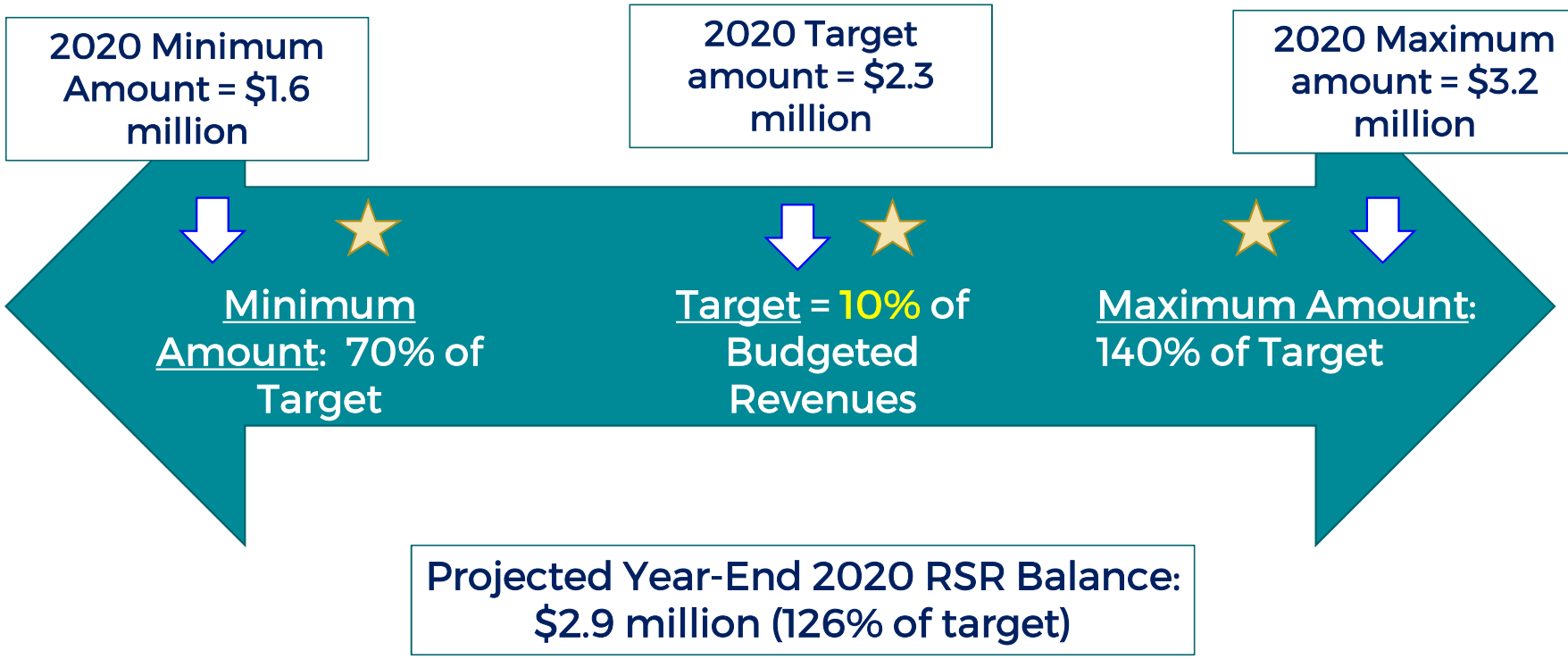
Purposes:

- Cover shortfalls in rate revenues for the Operating Budget
- Help Utility meet debt coverage requirements
- Fund additional appropriations for unexpected operating expenses, if needed

Target amount = 10% of budgeted revenues.

- Maximum balance: 140% of the target amount
- Minimum balance: 70% of the target amount

SEWER Rate Stabilization Reserve (RSR) Policy and Balances



Projected Year-End 2020 RSR Balance: $2.9 million (126% of target)

SEWER

Rate Stabilization Reserve Funding & Use History

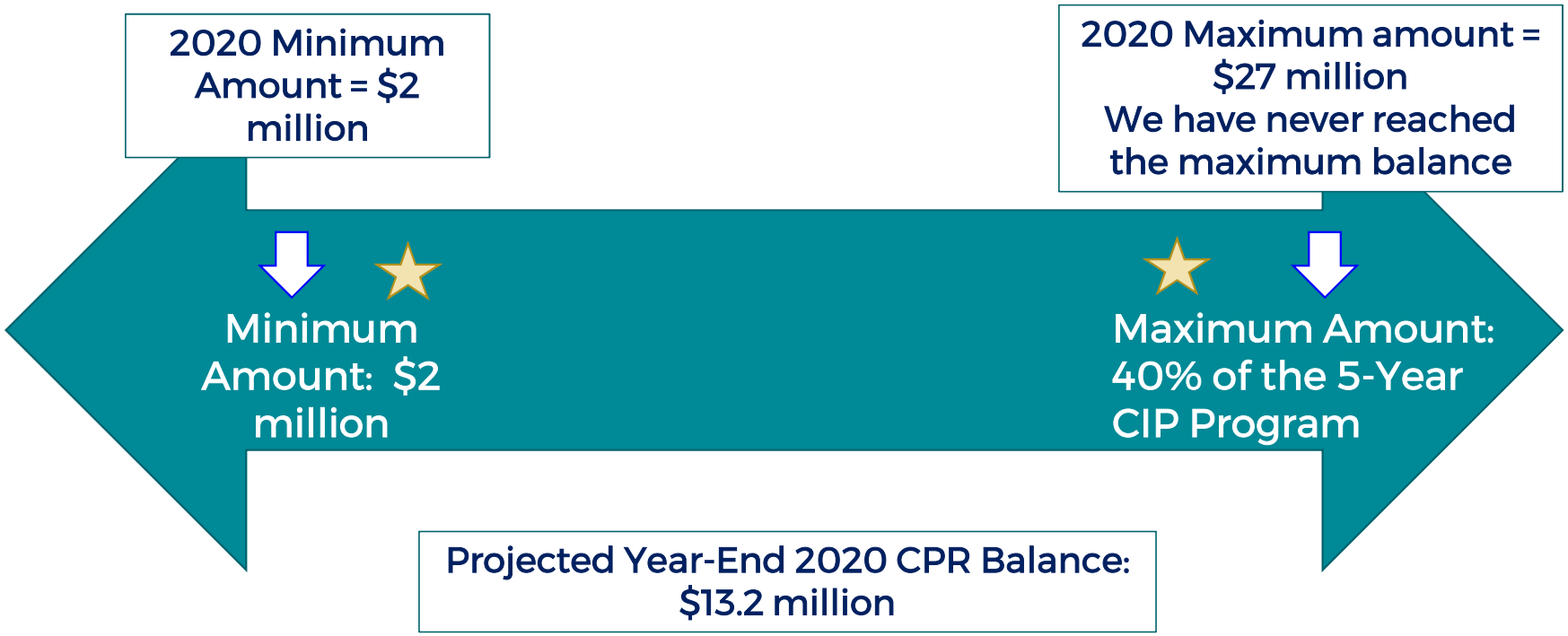
Has the Utility Rate Stabilization Reserve (RSR) ever been used to pay for expenses? What is the greatest amount of the reserve that has been used in a year?

2009: expenses were greater than revenues in the Sewer Fund. The City used $31,555 of the Sewer RSR to meet that shortfall.

RSR SEWER				
Date	Explanation	Amount	Balance	Notes
12/31/2006	Beginning Balance		514,606	
07/26/2007	2006 Carryover	277,094	791,700	
12/31/2007	2007 Interest Earnings	45,082	836,782	
12/31/2008	2008 Interest Earnings	45,524	882,306	
12/31/2009	09 Reserve Policy Transfers	(31,555)	850,751	shortfall this year, revenues vs expenseses (RSR tapped)
12/31/2009	2009 Interest Earnings	28,329	879,080	
12/31/2010	2010 Interest Earnings	12,008	891,088	
08/18/2011	KSB-CCA 08/08/11 8D CARRYOVER	332,911	1,223,999	
12/31/2011	2011 Interest Earnings	16,522	1,240,521	
07/23/2012	KSB-CCA 07/23/12 8L CARRYOVER	429,537	1,670,058	
12/31/2012	2012 Interest Earnings	18,042	1,688,100	
08/13/2013	CCA 08/12/13 8H CARRYOVER	28,510	1,716,610	
12/31/2013	2013 Interest Earnings	815	1,717,426	
07/29/2014	CCA 07/28/14 11a Carryover	134,696	1,852,122	
12/31/2014	2014 Interest Earnings	18,240	1,870,361	
08/11/2015	CCA 8/10/15 11f Carryover	64,439	1,934,800	
12/31/2015	2015 Interest Earnings	14,317	1,949,117	
12/31/2016	2016 Interest Earnings	18,819	1,967,936	
08/29/2017	CCA 08/28/17 11B Carryover Sup	168,184	2,136,120	
12/31/2017	2017 Interest Earnings	13,009	2,149,129	
08/28/2018	CCA 08/27/18 10C Carryover Sup	11,526	2,160,655	
12/31/2018	2018 Interest Earnings	33,841	2,194,496	
08/12/2019	CCA 08/12/19 CARRYOVER SUPPLEM	94,248	2,288,744	
12/31/2019	2019 Interest Earnings	73,943	2,362,687	
10/12/2020	CCA 10/12/20 Carryover Sup	526,053	2,888,740	
12/31/2020	2020 Interest Earnings (Budgeted)	42,499	2,931,239	

Transfers Out	
Deposits	

SEWER Capital Project Reserve (CPR) Policy and Balances



SEWER

Capital Project Reserve Funding & Use History

Has the Capital Project Reserve (CPR) ever been used to pay for projects?

2014: 87th & Wadsworth Lift Station
2014 : 95th & Federal Lift Station
2019: : Biosolids land purchase

CPR SEWER				
Date	Explanation	Amount	Balance	Notes
01/01/2013	2013 Original Budget	(436,107)	2,336,152	funding for capital projects at the beginning of the year
08/13/2013	CCA 08/12/13 8H CARRYOVER	1,135,699	3,471,851	
12/31/2013	2013 Interest Earnings	1,944	3,473,795	
07/29/2014	CCA 07/28/14 11a Carryover	1,055,558	4,529,353	
03/11/2014	Transfer from CCA 03/10/14 8c	(287,600)	4,241,753	
10/28/2014	Transfer from CCA 10/27/14 8n	(250,000)	3,991,753	
12/31/2014	2014 Interest Earnings	37,716	4,029,469	
01/01/2015	2015 Original Budget	(930,000)	3,099,469	funding for capital projects at the beginning of the year
08/11/2015	CCA 8/10/15 11f Carryover	794,615	3,894,084	
12/31/2015	2015 Interest Earnings	25,883	3,919,967	
01/01/2016	Original Budget	4,666,003	8,585,970	
09/27/2016	CCA 09/26/16 8k Carryover Supp	1,328,940	9,914,910	
12/31/2016	2016 Interest Earnings	56,819	9,971,729	
01/01/2017	2017 Original Budget	(1,173,978)	8,797,751	funding for capital projects at the beginning of the year
08/29/2017	CCA 08/28/17 11B Carryover Sup	1,881,917	10,679,668	
12/31/2017	CPR Policy Transfer	(103,785)	10,575,883	4Q Supplemental Appropriation
12/31/2017	2017 Interest Earnings	58,526	10,634,409	
01/31/2018	2018 Original Budget	(5,145,305)	5,489,104	funding for capital projects at the beginning of the year
08/28/2018	CCA 08/27/18 10C Carryover Sup	868,908	6,358,012	
12/31/2018	2018 Interest Earnings	123,859	6,481,870	
06/10/2019	CCA 06/10/19 8A WW Land Purcha	(2,000,000)	4,481,870	
08/12/2019	CCA 08/12/19 CARRYOVER SUPPLEM	2,111,346	6,593,216	
12/31/2019	2019 Interest Earnings	209,375	6,802,591	
10/12/2020	CCA 10/12/20 Carryover Sup	5,238,580	12,041,171	
12/31/2020	Original Budget	1,051,677	13,092,848	
12/31/2020	2020 Interest Earnings (Budgeted)	124,999	13,217,847	

Transfers Out	
Deposits	

How Have Reserve Accounts Changed?

City Council adopted policy adjustments in 2011 to:

- Remove a funded Operating Reserve
- Adjust the RSR minimum amount to move from 80% of the target amount to 70% of target amount
- Set CPR minimum balance at $3,000,000 for water and maximum balance at 40% of the 5-year CIP.
- Allow the RSR/CPR balances to be included as a cash asset for bond coverage tests
- Clarify calculation process to coincide with City year-end and carryover processes

Questions, Takeaways & Ideas About Reserve Accounts?

Customer Questions Since Last Workshop

- Will there be a rate increase in 2022 to reflect to reflect 2021 revenues?
  - Policy question for City Council to discuss.
- Does City Council want to consider changing rates in response to revenues received above the budget?
  - Policy question for City Council to discuss.
- Are rate payers charged for repairs when contractors damage pipes?
  - No, contractors are required to make those repairs.
- Why are current customers bearing the brunt of paying for all of these current and future infrastructure projects?
  - See separate slide. Also a policy question for City Council to discuss.

Why are customers now bearing the brunt of paying for all of these current/future projects?

- Customers pay for the costs to deliver them the service
- Customers now pay for the costs to continue to provide them service – today and tomorrow.
- Using debt to pay for projects provides Generational Equity
- Generational Equity = customers now and into the future pay to fund the projects that benefit the current customers + future customers.

Question: Which of all of the things we've talked about can the City control or influence? Which elements are out of the City's control? Why?

Items – SEWER	City Can Change ★	City Cannot Change
Level of Service – CIP and Operating budgets	★	
Meeting debt service obligations		X
City debt service coverage policy	★	
Rate structure/2 Kgal minimum	★	
Price per Kgal in each tier	★	
30-day billing cycle	★	
Gallon-based billing	★	
Continue six policies adopted in 2018	★	
Project financing strategies	★	
Utility reserve account policies	★	
Predictable/smooth/level rate increases	★	
General Fund transfer to Utility Fund	★	

End of Presentation.
Thank You.

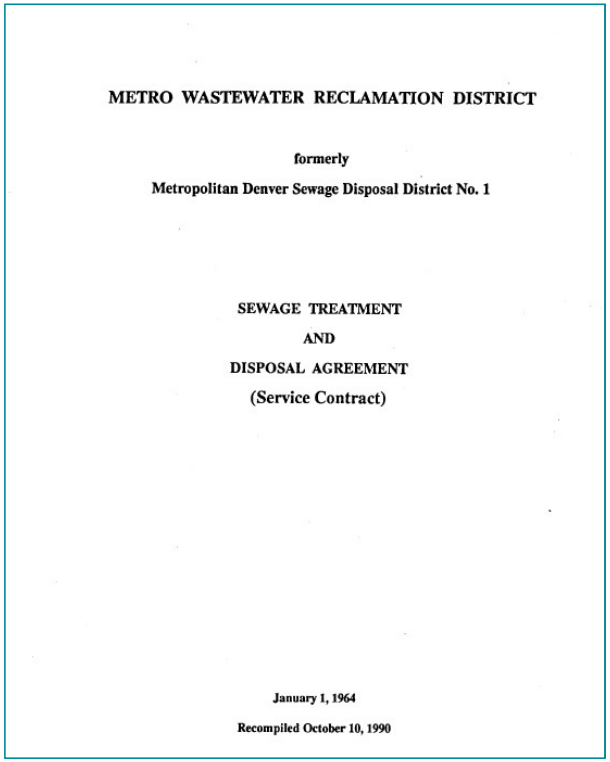
Question: Which of all of the things we've talked about can the City control or influence? Which elements are out of the City's control? Why?

Items	City Can Change ★	City Cannot Change
Level of Service – CIP and Operating budgets	★	
Meeting debt service obligations		X
City debt service coverage policy	★	
Rate structure/2 Kgal minimum	★	
Price per Kgal in each tier	★	
30-day billing cycle	★	
Gallon-based billing	★	
Continue six policies adopted in 2018	★	
Project financing strategies	★	
Utility reserve account policies	★	
Predictable/smooth/level rate increases	★	
General Fund transfer to Utility Fund	★	

APPENDIX SLIDES

Treatment Agreement with the Metro Wastewater Reclamation District

- Formed by Colorado Legislature in 1961
- Perpetual agreement with Metro executed in 1964
- Serves 60 local cities/sanitation districts = cost savings to Westminster and other cities/utilities
- Two facilities treat approx. 224 million gallons of wastewater each day
- City's 2021 treatment budget = approx. $3 million
- Treatment part of taps sold in Little Dry Creek basin goes to Metro



METRO WASTEWATER RECLAMATION DISTRICT

formerly

Metropolitan Denver Sewage Disposal District No. 1

SEWAGE TREATMENT

AND

DISPOSAL AGREEMENT

(Service Contract)

January 1, 1964

Recompiled October 10, 1990

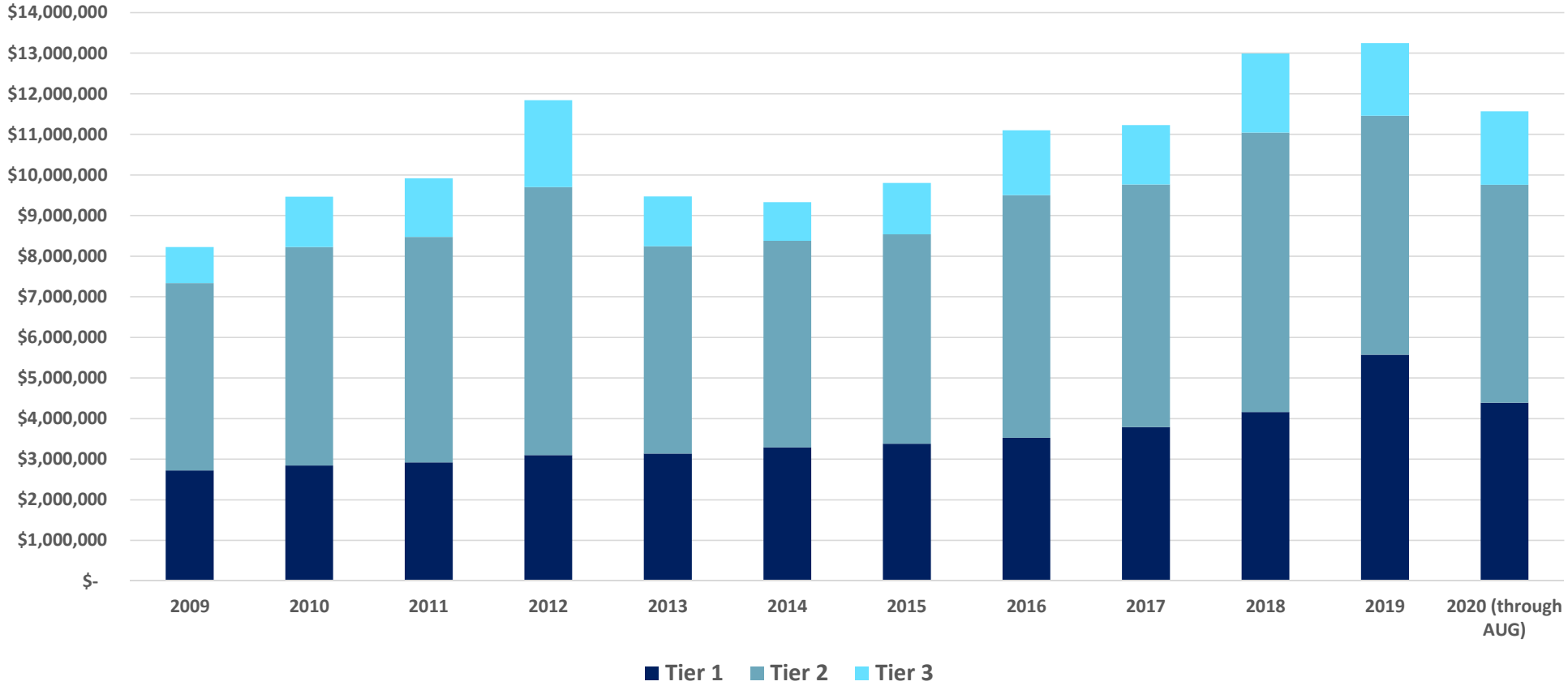
Customer Questions Since Last Workshop

- It appears that infrastructure is replaced based on industry standard life. Are operating staff involved in capital improvement planning? Can the life of infrastructure be extended with proper maintenance?
  - Infrastructure is replaced based on a number of factors including age, condition and risk of failure. Industry standard life is just one consideration.
  - Operations staff are involved with and integral to Long Term Planning for capital improvements projects.
  - Proper maintenance can and does extend the life of infrastructure. Extended useful life of many assets factors in to capital improvements planning.
- How did the sewer UCI drop by 15% from 2015 – 2017? Why is it not more gradual? Did the UCI calculation change? Can we expected a sharp decline in the water UCI?
  - The sewer UCI is calculated from three utility areas: sewer pipe, sewer pumping stations, and Big Dry Creek Wastewater Treatment Facility. The largest utility area in value is the sewer pipes and it drives the UCI. Sewer pipe installed in the 1960s and 1970s reached the end of useful life in 2015 and has not been replaced and is the primary cause of the big jump.
  - The method of calculating the UCI did not change.
  - Think about turning 21. The night before your 21st birthday, you cannot legally get a drink at the bar. On the day of your birthday you can. The UCI is a calculated number using industry standard useful life. When the end of useful life ticks over, the UCI will decline.
  - It is likely we will see a sharp decline in the water UCI. We are investing a small fraction of the total dollar amount needed to avoid a sharp decline in the water UCI. When we invest $30M per year in a $4B Utility, we are investing at a rate of approximately 1% per year. This means that generally, we invest in one asset one time in 100 years. Few of our assets have a 100 year life span.
- Can the customer portal be expedited? Why do we have to wait for all meters to be installed?
  - Software can't be launched until all meters are installed and billing system upgrades are implemented.
  - Customers can call to request hourly usage at 303-658-2405.
- Is the city analyzing usage data pre- and post-meter installation? Can that data be used to test the theory on social media that new water meters cause spikes in usage?
  - A number of factors influence usage including temperature and precipitation. We can account for these, but not at the level of precision needed to test the accuracy of meters. Meters are tested by manufacturer and City.
- How are rates calculated for different tiers or customers?

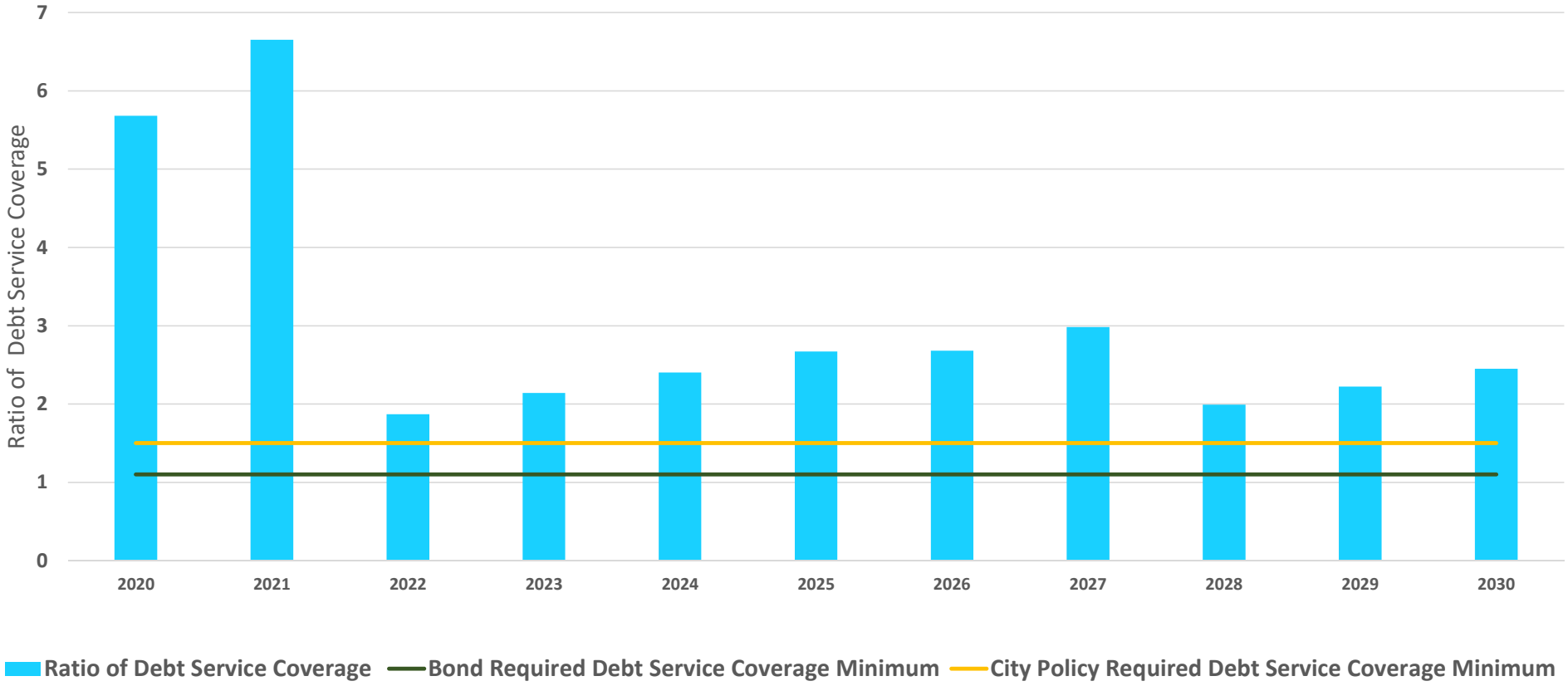
Question :What is included in the sewer cost amount that is associated with funding mandates?

- We've issued **debt** to pay for Sewer projects
- Lender requirements include that we have 100% of annual debt service payment + additional pledged revenues
  - Staff considers this a funding mandate
- City Debt Policy Guideline requires 100% of annual debt service payment+50%.
  - More conservative. Provides more room if there is a significant impact to the economy and revenues.
  - This is a calculation factor in rate-setting process.

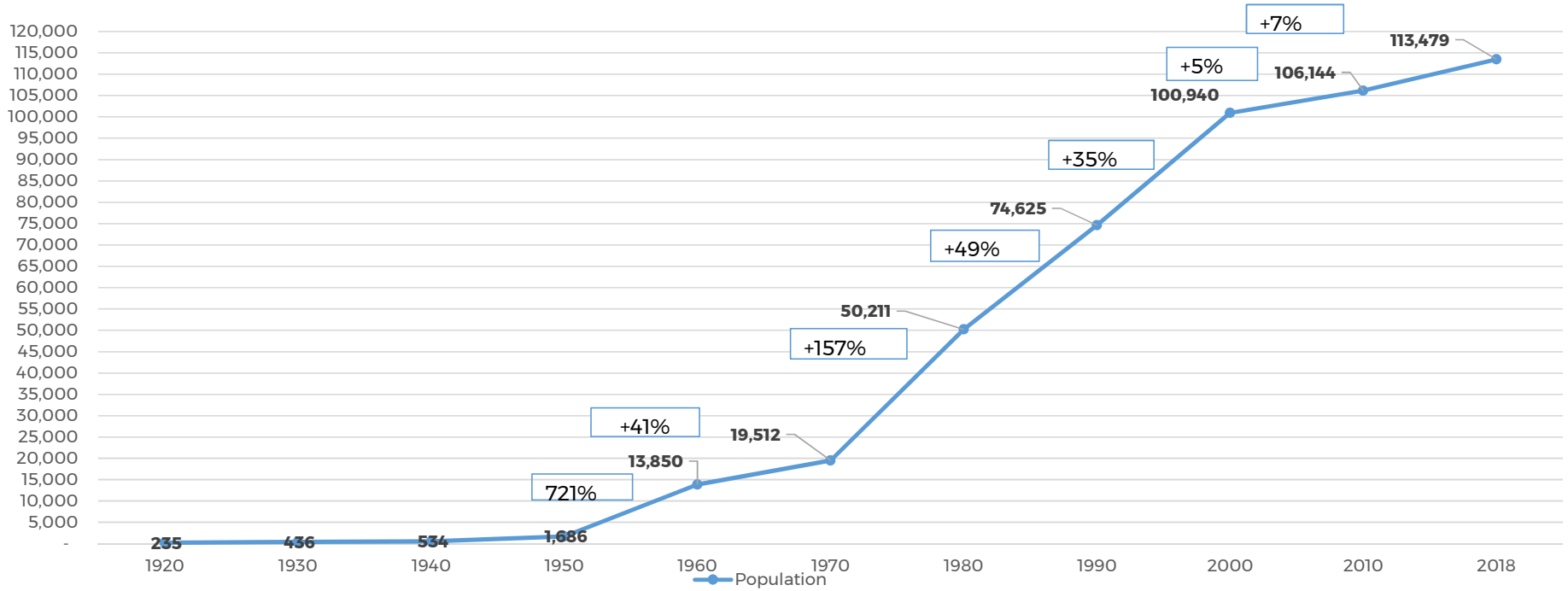
Single Family Residential Detached Homes Tiered Revenues 2009-2020 (YTD through mid-AUG)



Projected Water Debt Service Coverage and Policy Requirements 2020 – 2030



Westminster's Population Growth With Percent Growth over Previous Decade 1960-2018



Is Development Paying Its Way?

Tap Fee Process:

1. When we know the development is coming (what's in the Comprehensive Plan?) we build the infrastructure to accommodate it in the system.
2. This work is paid for upfront by the City.
3. The developer then pays their tap fee, which 'pays back' the rate payer.
4. Tap fees are used for growth-related projects.

- REMINDER: The City will be built out someday. Tap fees will decline as a revenue source.

Is Development Paying Its Way?

- From our 2018 Cost of Service Study, the water/sewer tap fees for development are set as high as we believe we are legally allowed to set them ☆
  - Irrigation tap fees need updating
- Historically: tap fees just for the development's impact to the system.
- Recent Staff measures to also require offsite improvements when there is impact. Ensures that growth is paying for growth.
  - "Offsite" definition = not on the proposed development footprint.
  - Example: larger water transmission pipeline and sewer pipeline now needed to serve the development

SEWER Capital Project Reserve (CPR) Policy

Purposes:

- Fund CIP projects for timely system reinvestment
- Fund emergency or unexpected projects

No Target Amount:

- Maximum balance = 40% of the 5-year CIP program amount
- Minimum balance = $2,000,000

2019-2023 CIP: $68 million

x 40% = $27 million

We have never reached the maximum amount.