



TOWN OF ERIE

645 Holbrook Street
Erie, CO 80516

Town Council

Board Meeting Date: 12/11/2018

File #: 18-432, Version: 1

SUBJECT: A Resolution Authorizing The Engagement Of Willdan Financial Services For Completion Of A Water, Wastewater and Storm Drainage Rate And Fee Study; And Authorizing And Directing The Appropriate Town Officers To Enter Into An Agreement For Such Services.

DEPARTMENT: Finance

PRESENTER: Steve Felten

FISCAL INFORMATION:

Cost as Recommended: \$68,900

Balance Available: \$68,900

Budget Line Item Number: 500-70-110-560100; 510-70-110-560100; 520-70-110-560100

New Appropriation Required: No

STAFF RECOMMENDATION: Approval of resolution to for entering into an agreement with Willdan Financial Services to complete a water, wastewater and storm drainage rate and fee study.

SUMMARY AND BACKGROUND OF SUBJECT MATTER:

The Town's municipal code requires the performance of a professional water, wastewater and storm drainage rate and fee study at least every five years in order to determine the adequacy of rates and fees charged. Bond covenants on the various enterprise fund debt issues also require periodic studies to ensure rates and fees are set at levels as specified in the covenants. The Town's last rate study was performed in 2013 (completed in 2014). In response to that study, the Board established new water, wastewater and storm drainage rates for the period 2015-2019. The last increase in rates pursuant to that ordinance will go into effect on January 1, 2019. As a result, in accordance with policy and pursuant to various bond covenants, it is time to perform a new rate study for rates to go into effect beginning January 1, 2020.

As the Town continues to grow, expansion of its water, wastewater and storm drainage systems are required to support this growth. The Town has historically taken steps to ensure that it has adequate water supplies and the necessary treatment plants and related infrastructure to supply the utility needs of its residents and businesses. It continues to take such steps, most significantly as evidenced in recent years by its ongoing participation in the Windy Gap FIRMing Project and NISP, the 2017 purchase of additional Windy Gap units, construction of a solids handling building and installation of related equipment to enhance the water treatment system, and initial construction of a reuse water system, among other capital projects.

But in a state with limited water resources and big increases in demand along the Front Range, the cost of these resources generally go in only one direction - up. And while staff endeavors to carry out its water, wastewater and storm drainage operations in as efficient a manner as possible, routine operating costs also grow each year. Though tap fees can generate large amounts of revenues in good years, they can fluctuate significantly from year-to-year and it can be risky to place too much reliance on tap fees to cover debt service requirements. In addition, projects such as Windy Gap and NISP require significant amounts of funding, more than can be funded currently, and as a result will require the issuance of bonds to fund the costs.

A rate study will enable the Board and Town staff to determine the appropriate levels of water, wastewater and storm drainage monthly usage rates and tap and raw water fees for the next five years.

To conduct this rate study, staff recommends engaging Willdan Financial Services (Willdan) at an estimated cost of \$68,900 (see attached proposal), to be paid for on a pro rata basis by the water, wastewater and storm drainage funds. These funds have already been provided for in the recently approved 2019 budgets. Willdan performed the last rate study in 2013, in addition to performing other work for the Town.

Willdan will begin its study in the first quarter of 2019 upon signing of a contract, which would follow the Board's approval of this resolution. It is anticipated that the study would take several months to complete. As part of the project, it is expected that there will be opportunities for input from residents in the course of the study. In addition, there will be one or more presentations to the Board in a study session setting.

This rate and fee study will help ensure that water, wastewater and storm drainage usage fees and tap and water resource fees are established at appropriate rates, with the objective of implementing any resulting changes effective January 1, 2020.

ATTACHMENTS:

- a.) Resolution
- b.) Willdan Financial Services proposal for services