



# Town of Johnstown

## TOWN COUNCIL WORKSESSION COMMUNICATION

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**AGENDA DATE:** September 11, 2023

**SUBJECT:** Water and Sewer Rate Discussion

**ATTACHMENTS:** 1. Raftelis Task & Activity Scope of Work  
2. Raftelis Presentation

**PRESENTED BY:** Mitzi McCoy, Deputy Town Manager

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### WORKSESSION ITEM DESCRIPTION:

As you are aware, utilities through-out the State are being confronted with ever-increasing operating, and capital costs, as well as the costs associated with testing and implementing procedures required to meet new state and federal regulations. In addition to the rapidly increasing costs, the state requirement that municipal utilities be self-sufficient, means that revenues from sales, services and other sources must meet all expenses, both operating and non-operating. The combination of which drives the need to establish equitable utility rates to ensure that sufficient revenue is being generated.

The Town is in currently at a point in time where the issues described above couldn't be more apparent and paramount. We have been compelled by the State, via a consent order, to make critical and essential capital improvements to our wastewater systems and treatment plants that are 20 and 50+ years old as they are not capable of meeting today's state and federal regulations. We have been working diligently on those improvements and today we are nearing completion of the Low Point Wastewater Treatment Plant and 2 years from now, we will complete the construction of the new Central Wastewater Treatment Plant. We are also installing new sewer interceptors to meet future demands on the system and recovering these costs from new development through our regional sewer fee.

When we look at our water utility, we have another set of challenges. Our existing treatment plant was initially constructed in 1966 with additional treatment system improvements completed in 1987 and 2005. Today, our facility is near its maximum production capacity during the summertime due to irrigation demands and experiences regular treatment challenges. In

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addition to those concerns, we also recognize that there is very little redundancy and resiliency built into the system, which impacts our ability to meet the needs of both current and future users. Capital projects which include a new water tower to improve pressure and distribution, a new raw water trunk line to create redundancy and increase capacity, and construction of a new water treatment plant to increase production, manage taste and odor issues, as well as addressing PFAS issues in the future are critical to meeting the water demands and quality expectations of the community.

While the capital needs of both the water and wastewater utilities are obviously critical and easy to focus on, it is important to also acknowledge the increasing costs associated with providing proper maintenance to our infrastructure and meeting operating standards for both utilities. Staff has been working to maintain efficient and effective operations, but there are elements outside of our control such as cost of the carbon for the GAC system and the cost of utilities and chemicals necessary to run our plants.

In an effort to address this increasingly complex situation, the Town secured the services of Raftelis Financial Consultants, Inc. to conduct a comprehensive utility rate study to assess the methodologies and structures that form the basis of the Town's water and sewer utilities. The goal of this study is to produce a 10-year financial plan and a rate structure that will generate revenues to cover annual operations and maintenance costs, capital improvement projects, meet debt service requirements and ensure sustainability, while at the same time maintaining equity between existing and new customers. Attached is the full scope of the rate study analysis broken down by task and activity.

Town Staff has been working collaboratively with the consultants over the course of several months to provide them with the data necessary to complete the scope of work detailed above. At this time, staff and the consultants are looking for feedback from Council on this topic so that it can be incorporated into the study before proceeding and receive guidance related to rate adjustments to ensure sustainability in both water and sewer enterprises.

***Reviewed and Approved for Presentation,***



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Town Manager

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