



# Town of Johnstown

## TOWN COUNCIL AGENDA COMMUNICATIONS

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**AGENDA DATE:** November 6, 2023

**SUBJECT:** Amending the Consolidated Town Fee Schedule

**ACTION PROPOSED:** Consider Resolution 2023-48

**ATTACHMENTS:**

1. Resolution 2023-48
2. Town of Johnstown Fee Schedule – Exhibit A
3. Water and Sewer Rate and Fee Study Draft Report
4. Water and Sewer Rate Work Session Presentation Slides
5. Water and Sewer Rate Fee Schedule Presentation

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

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### AGENDA ITEM DESCRIPTION:

The Town Consolidated Fee Schedule in its present form was adopted by the Town Council on March 6, 2023, in Resolution 2023-11.

The fee schedule is a comprehensive schedule that includes not only administrative fees, but also utility rates, permitting fees, business licenses, court surcharges, cemetery fees, etc. The fee schedule was created with the intent of: decreasing future costs for publishing ordinances, decreasing costs associated with revising the municipal code, creating a document that is easy for people to use and access, and creating a document that encourages an annual review of the fees that the Town is charging. Fines and penalties have not been included in this fee schedule due to the subjective nature of the fine structure.

This update to the fee schedule is entirely focused on the Town's water and sewer utilities and the rates and impact fees charged.

Both the Town's water and wastewater funds operate as utilities or "enterprise" funds under Colorado law. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. This means that these funds must be self-sufficient and revenues from sales, services and other sources must meet all expenses, both operating and non-operating. It also means that these funds do not and cannot receive funding from taxes; property tax or sales tax for example.

As most people are aware, utilities throughout the State are being confronted with a number of challenges - aging infrastructure that needs to be replaced, ever-increasing operating and capital costs, as well as the costs associated with testing and implementing procedures required to meet new state and federal

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regulations. Currently, the strain on the Town's wastewater system 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 60+ 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 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. In addition to addressing the critical issues at the wastewater treatment plants and maintenance to existing lines, we are also installing new sewer interceptors to meet future demands. The cost of those new interceptors is being recovered from new development through our regional sewer fee.

When we look at our water utility, we have another set of substantial challenges. Our existing treatment plant was initially constructed in 1966/67 with additional treatment system improvements completed in 1987 and 2005 and has a maximum production capacity of 6.2 million gallons day (mgd). Our peak demand last summer was 7-9 mgd, which means that we are working with a water plant that has not only exceeded its life span but also has a substantial capacity/demand gap during the summer. Currently the Town is mitigating that gap by using water storage tanks and in some cases, interconnects with other water providers. In addition to those concerns, we also recognize that there is very little redundancy and resiliency built into the system, which further 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 constantly works to maintain efficient and effective operations, but there are elements outside of our control such as the cost of the carbon for the granular activated carbon (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., an independent third-party consulting firm, 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, to ensure financial sustainability of the Town's enterprise funds, and to ensure that the rates are appropriate for all customer classes. Additionally, the Town requested that the study include a review of the impact fees for both funds to ensure that new development funds their share of system needs to maintain equity between the existing and new customers.

The proposed rate structure adjustments are structured so that current users are paying for their responsible share attributed to treating and conveying both the water and wastewater services. While they do have some material obligation to improve and update the facilities to meet current regulations on both the water and waste water treatment, the bulk of the expansions to the systems are being recovered using tap fees, paid only by new development, because that is the primary driver for major capital expansions of our system.

As such, the study is substantially complete, and recommendations have been made. The recommended changes include the following:

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Sec. 13-53 – Sewer Service Charges.

Proposed changes to this section include a 15% increase in rates for all customer classes for the years 2024 - 2026.

Sec. 13-54 – Sewer Tap Fees.

Proposed changes to this section include an approximate 65% increase for all customer classes, and for all tap sizes.

Sec. 13-73(b) Raw Water Development Fee

Proposed changes include an approximate 8% increase for all taps.

Sec. 13-77 Water Service Charges.

Proposed changes include a 30% increase to the base fee for all meter sizes, for all customer classes for the years 2024 – 2026 and a 5% increase for years 2027 - 2028. The usage charge increase varies in 2024 based on the cost of service study completed by the consultants. The lowest usage tier increases by 16% while the highest usage tiers increases by 55%. The usage charges for years 2025 – 2026 increase by 30% for all usage tiers, and the usage charges for the years 2027 - 2028 increase by 5%.

Sec. 13-78 Bulk Potable Water for Construction

Proposed changes include a 30% increase each year for the years 2024 – 2026.

**LEGAL ADVICE:**

The Town Attorney drafted the Resolution.

**FINANCIAL ADVICE:**

NA

**RECOMMENDED ACTION:** Staff recommends approving Resolution 2023-48 as presented.

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**SUGGESTED MOTIONS:**

**For Approval:** I move to approve Resolution 2023-48 Amending the Consolidated Town Fee Schedule.

**For Denial:** I move to deny Resolution 2023-48 Amending the Consolidated Town Fee Schedule.

*Reviewed and Approved for Presentation,*



Town Manager

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