



BOARD OF TRUSTEES
May 6, 2025
6:30 PM

Leeper Center, 3800 Wilson Avenue, Wellington, CO

Work Session Agenda

The Zoom information below is for online viewing and listening only.

Please click the link below to join the webinar:

<https://us06web.zoom.us/j/84871162393?pwd=UkVaaDE4RmhJaERnallEK1hvNHJ5Zz09>

Passcode: 726078

Or One tap mobile :

US: +17207072699,,84871162393# or +17193594580,84871162393#

Webinar ID: 848 7116 2393

A. ITEMS

1. 2025 Utility Rate and Fee Study Overview & Introduction of Rate Advisory Group

- Presentation: Meagan Smith, Deputy Public Works Director

The Town of Wellington will make reasonable accommodations for access to Town services, programs, and activities and special communication arrangements. Individuals needing special accommodation may request assistance by contacting at Town Hall or at 970-568-3380 ext. 110 at least 24 hours in advance.

Board of Trustees Meeting

Date: May 6, 2025

Subject: 2025 Utility Rate and Fee Study Overview & Introduction of Rate Advisory Group

- **Presentation: Meagan Smith, Deputy Public Works Director**

BACKGROUND / DISCUSSION

In March 2025, the Board of Trustees approved a contract with Raftelis to conduct a comprehensive utility rate and fee study. The 2025 study includes updates to the existing water and wastewater rate models, development of a new stormwater financial model, review of high-strength wastewater surcharges, and recalibration of capital investment fees in light of recent capital investments. Study outcomes will include updated rate and fee structures designed to ensure long-term financial sustainability, fairness, and transparency. The study builds upon the 2022 utility rate study and includes community engagement through a structured advisory group.

This Work Session will serve to introduce the Rate Advisory Group (RAG) and will serve as the project kickoff with both the Board of Trustees and the RAG. The RAG is composed of community volunteers representing residential, business, and civic perspectives. The group will meet four additional times between May and August 2025. Their role is to learn about utility rate-setting, review rate structure alternatives, provide feedback on pricing objectives and customer impacts, and ultimately recommend rate structure options for the Board's consideration.

To help guide the study and stakeholder engagement efforts, staff is seeking input from the Board on the following:

- **Pricing Objectives:** What values should be prioritized in rate design? How should the Town balance equity, affordability, simplicity, conservation, and cost recovery?
- **Role of the Rate Advisory Group:** What specific topics or decisions should the group help inform (e.g., rate structures, communication strategies, affordability considerations)
- **Definition of Success:** From the Board's perspective, what outcomes or deliverables will define a successful study (e.g., financial sustainability, public understanding/acceptance, policy alignment)

STAFF RECOMMENDATION

N/A

ATTACHMENTS

1. Rate Advisory Group and Study Introduction

Town of Wellington

2025 Utility Rate Study Introduction

May 6, 2025





Agenda



Study goals and objectives



Rate and fee study process



2022 rate study recap



Rate structure pricing objectives



Study Goals

A financial and rate roadmap that will sustain the long-term financial health of the Town

Objectives:



Financial sufficiency: Align rate revenues that are sufficient to meet annual expenditures, debt coverage and required reserves



Capital funding: Fund capital projects by balancing the use of debt, rates, and reserves while minimizing rate impacts



Fair and equitable rates: Rate structures which recover the cost to provide service to each customer class



Cost of growth: Fees that recover the cost to serve growth and minimize impact on existing customers



Study Goals

A financial and rate roadmap that will sustain the long-term financial health of the Town

Framework:



Defensible: Scenarios, options, and ideas developed in Phase I are able to withstand scrutiny of challenge by being grounded in logical reasoning, evidence, and sound principles



Durable: The ability of a solution, system, or decision to remain effective and relevant over time, even in the face of changing circumstances or pressures



Deliberate: Using a process of intentionally and thoughtfully designing or executing actions with a clear purpose, ensuring careful consideration of potential risks and outcomes



Study Goals

A financial and rate roadmap that will sustain the long-term financial health of the Town

Board Feedback:

1

Pricing objectives: A means of ensuring community values are reflected in the way costs of providing service are recovered.

2

Role of stakeholder group: What are the areas this group needs to provide input to Staff and the Board

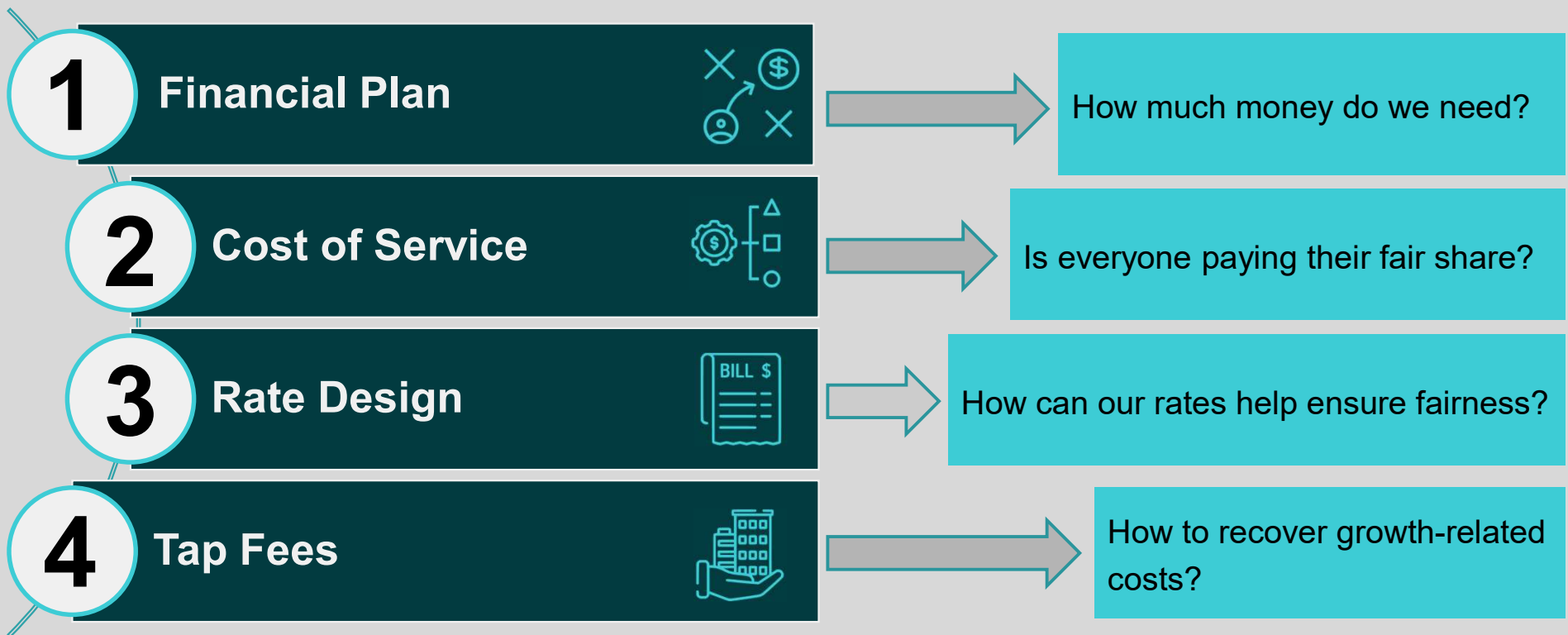
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Study outcome: What will define success by the Board?

Rate Study Process



2025 rate study process

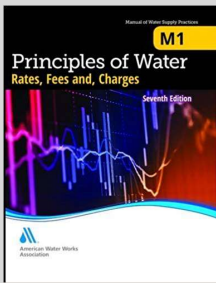


Rate Advisory Group Areas of Focus & Role



How can our rates help ensure fairness?

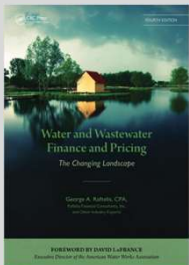
Guided by industry-standard financial planning and rate-setting approaches



American Water Works Association,
Manual M-1, Principles of Rates, Fees, and Charges



Water Environment Federation
Financing and Charges for Wastewater Systems



Raftelis Financial Consultants
Water and Wastewater Finance and Pricing

2022 Rate Study Recap





2022 Utility Rate Structure Roundtable

Guiding Principles

- Create a pricing structure that is fair, equitable, and easily understood.
- Create a pricing structure that is based on the cost to deliver water and provide wastewater service.
- Support a fiscally responsible and stable utility to ensure our customers have reliable, high-quality water and wastewater services now and in the future.
- Promote opportunities for customers to benefit from the wise use of water through continued efficiencies and improvements.



2022 Utility Rate Structure Roundtable

Selected Rate Structure Pricing Objectives

- **Required**
 - Revenue Sufficiency
 - Defensibility
- **Prioritized**
 - Essential Water Use Pricing
 - Customer Impact
 - Cost Recovery Between New and Existing Customers
 - Cost Recovery Between Classes



Evolution of Residential Water Rates

2016 Base Rate

Customer Type	Monthly Charge \$ per bill
¾"-2" Residential	\$16.31

2021 Base Rate

Customer Type	Monthly Charge \$ per bill
¾"-2" Residential	\$66.00

2023 Base Rate

Customer Type	Monthly Charge \$ per bill
All Single-Family Residential	\$49.71

2016 Volumetric Rates

Threshold (gallons)	Volume Rate \$ per kgal
0 – 15,000	\$3.65
15,000 – 30,000	\$3.93
> 30,000	\$4.94

2021 Volumetric Rates

Threshold (gallons)	Volume Rate \$ per kgal
0 – 15,000	\$4.56
15,000 – 30,000	\$5.70
> 30,000	\$7.72

2023 Volumetric Rates

Threshold (gallons)	Volume Rate \$ per kgal
0 – 3,000	\$0.00
3,000 – 7,000	\$11.70
7,000 – 20,000	\$15.20
> 20,000	\$21.64



Evolution of Residential Sewer Rates

2016 Base Rate

Customer Type	Monthly Charge \$ per bill
¾"-2" Residential	\$20.63

2021 Base Rate

Customer Type	Monthly Charge \$ per bill
¾"-2" Residential	\$31.00

2023 Base Rate

Customer Type	Monthly Charge \$ per bill
All Single-Family Residential	\$13.95

2016 Volumetric Rates

Threshold (gallons)	Volume Rate \$ per kgal
0 – 3,000	\$0.00
> 3,000	\$6.50

2021 Volumetric Rates

Threshold (gallons)	Volume Rate \$ per kgal
0 – 3,000	\$0.00
> 3,000	\$10.00

2023 Volumetric Rates

Threshold (gallons)	Volume Rate \$ per kgal
All Usage	\$8.02

2025 Rate Study





2025 rate study areas of focus



- Stay the course



- Review efficacy of rate structures against pricing objectives



- Update water and wastewater financial plans, cost of service, and rate design



2025 rate study areas of focus



- Review and update tap fees
- Recent infrastructure changes may impact fees



- Evaluate wastewater high strength surcharges
- High level review in 2022 study



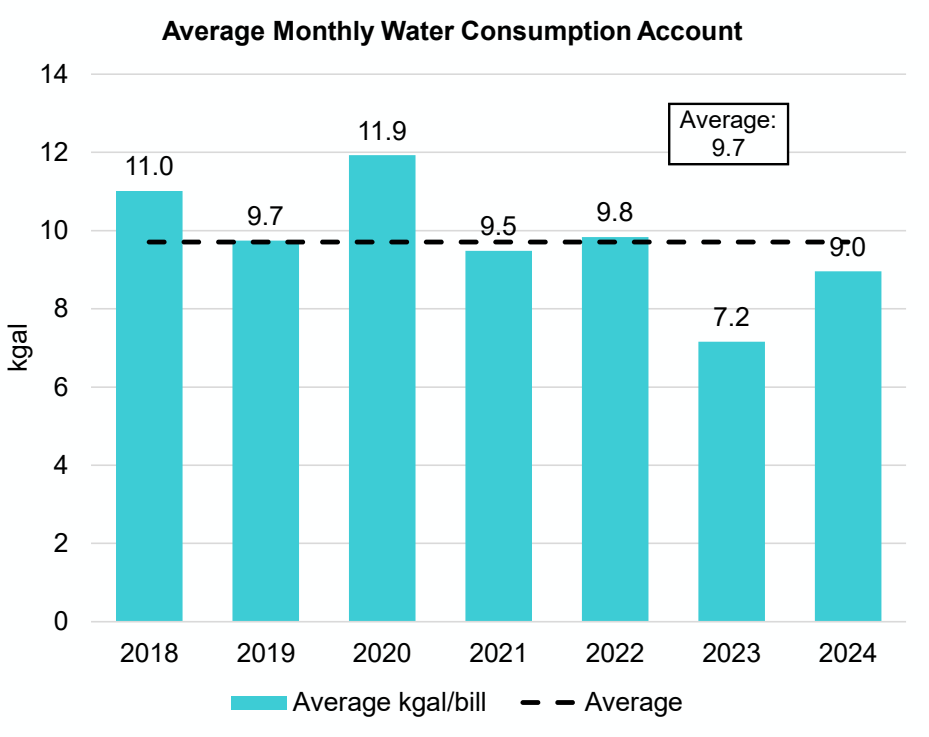
- Develop stormwater financial plan and rate update
- Upcoming changes to Boxelder Basin Stormwater Authority



Impact of precipitation on residential water use (May to Oct: 2018 – 2024)

• Precipitation comparison: May – October:

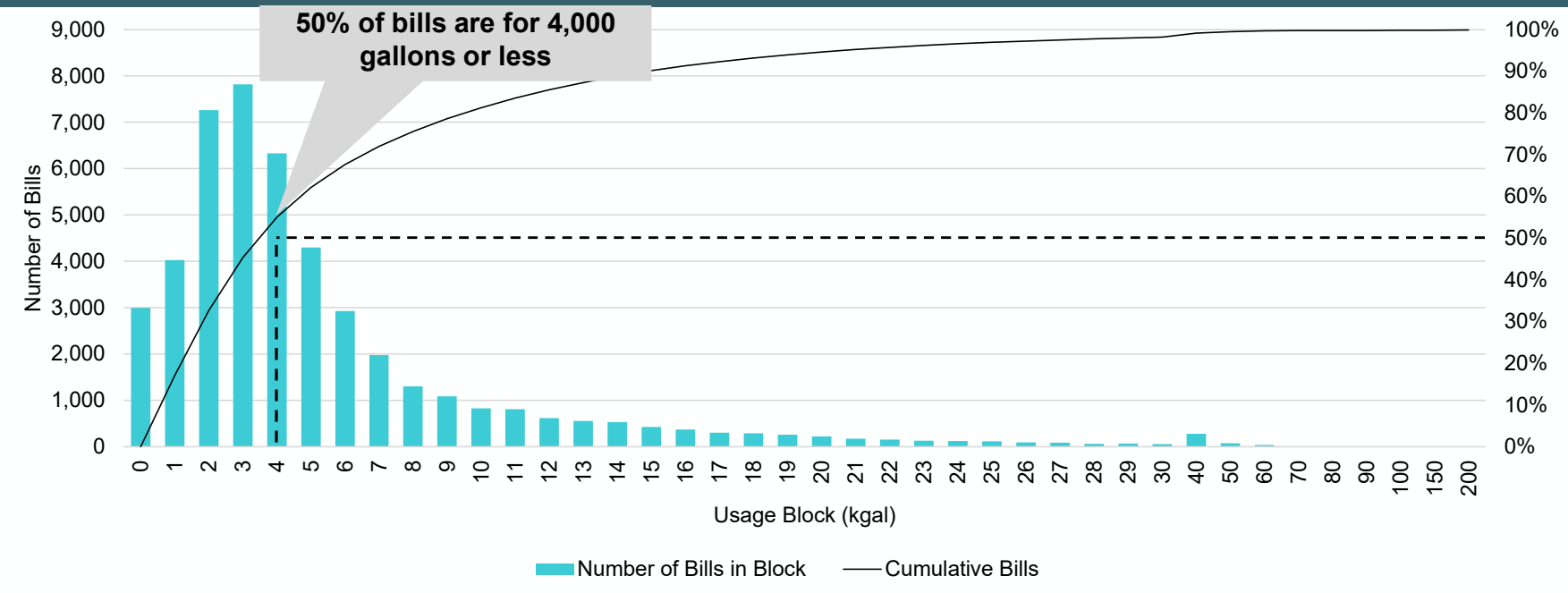
Year	% of Normal Precipitation
2018	100%
2019	83%
2020	68%
2021	80%
2022	80%
2023	191%
2024	43%



¹ Normal refers to average precipitation (1981-2020) from *Colorado State University – Colorado Climate Center*.
² The graph is representative of single-family residential customers with potable irrigation.



Distribution of residential *bills* at incremental levels of consumption





Residential bills change under different rate structures

An illustrative example

1

- Existing rate structure
- Service charge with minimum, 3-tiered volume rate

2

- Adjusted existing rate structure
- Service charge w/minimum, 3-tiered volume rate with different thresholds

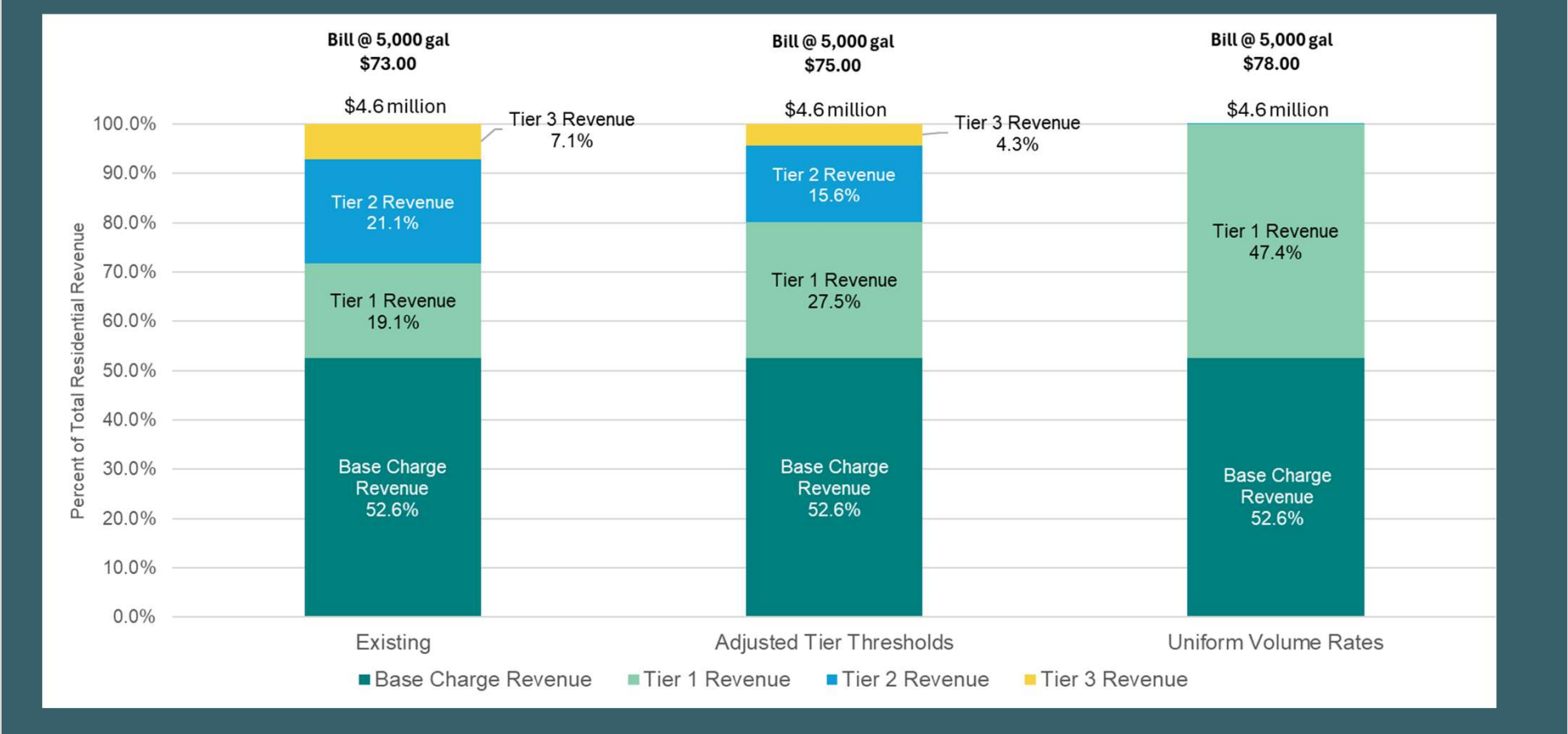
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- Service charge with minimum, uniform volume rate



Residential bills change under different rate structures

Distribution of residential revenue under each alternative



Pricing objectives recap



Defensibility



Revenue sufficiency



Revenue stability



Cost recovery between classes



Cost recovery within a class



Cost recovery between existing and new customers



Efficient water use pricing signal



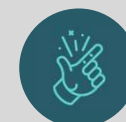
Demand management



Essential use pricing

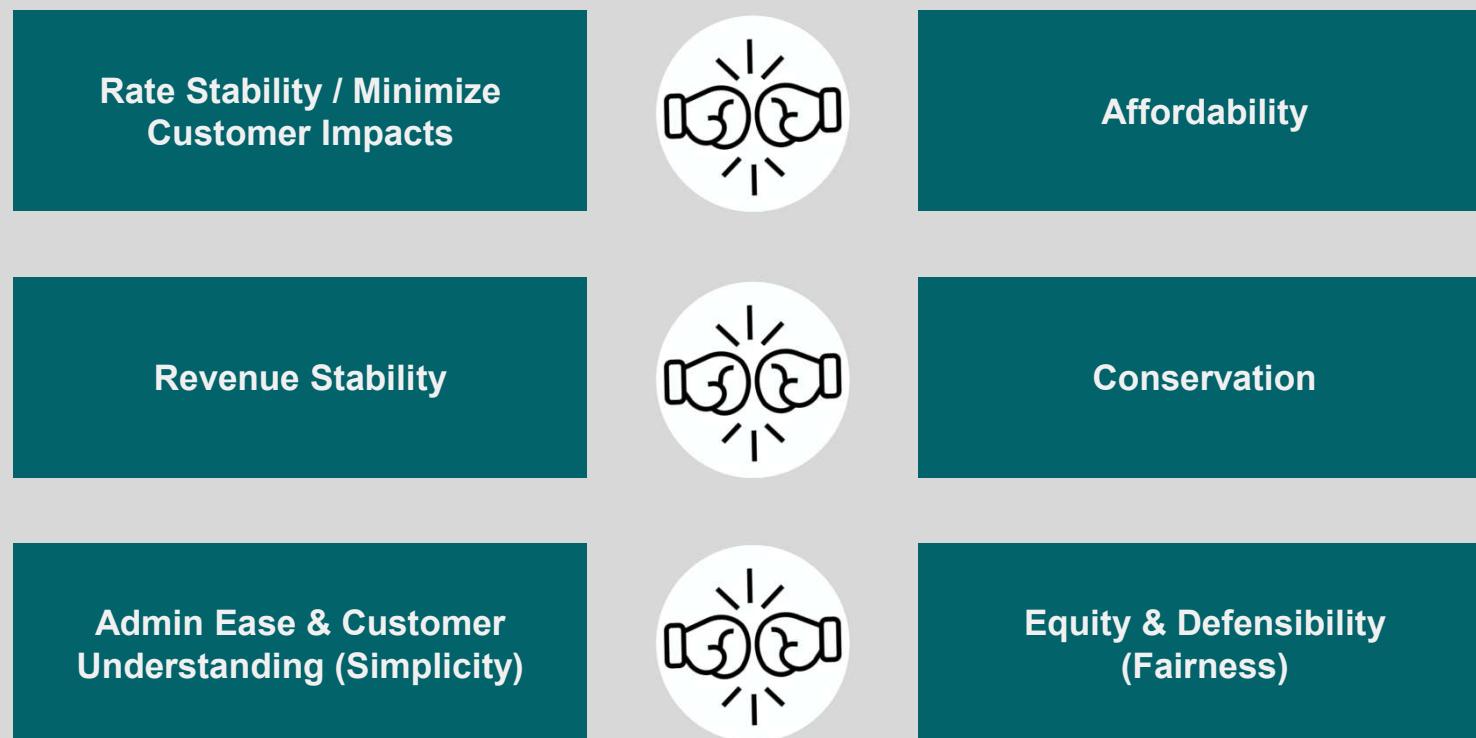


Customer impact



**Ease of administration/
implementation/understanding**

Competing pricing objectives





Study Goals

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Study outcome: What will define success by the Board?

Project schedule

TASKS	Mar 2025	Apr 2025	May 2025	Jun 2025	Jul 2025	Aug 2025	Sep 2025	Oct 2025	Nov 2025
Task 1: Project and Quality Management	On-Going Through Project								
Task 2: Project Initiation	●								
Task 3: Water, Wastewater, and Stormwater Customer Demand Analysis		●	●						
Task 4: Tap Fee Analysis		●	●						
Task 5: Financial Planning (Revenue Requirement) Projections		●	●	●					
Task 6: Cost of Service Analysis			●	●	●				
Task 7: Rate Design				●	●	●			
Task 8: Stakeholder Communications			●	●	●	●			
Task 9: Reports and Presentations							●	●	●
Task 10: Rate Model Development	On-Going Through Project								



Thank you!

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