

RECORD OF PROCEEDINGS

Town of Estes Park, Larimer County, Colorado, January 18, 2007.

Minutes of a Regular meeting of the **UTILITIES COMMITTEE** of the Town of Estes Park, Larimer County, Colorado. Meeting held in the Town Hall in said Town of Estes Park on the 18th day of January 2007.

Committee: Chairman Homeier, Trustees Newsom and Pinkham

Attending: All

Also Attending: Administrator Repola, Acting Public Works Director Goehring, Finance Officer McFarland, Town Clerk Williamson

Absent: None

Trustee Newsom called the meeting to order at 8:00 a.m.

PUBLIC COMMENT

None.

WATER DEPARTMENT

Water Financial Plan – Review.

In June 2006, the Town contracted with HDR Engineering to provide a Water Treatment Facilities Evaluation to determine the Town's ability to meet upcoming State and EPA regulations and future water demands from the Glacier Creek and Mary's Lake facilities. HDR has proposed recommendations for system improvements with a timetable and cost estimates. HDR also prepared a Financial Plan that includes budgetary shortfalls and recommendations for supplementary funding options, i.e. rate increases or revenue bonds while maintaining a 90-day O&M and 2% fixed asset fund balance.

Sarah Clark, PE/HDR reviewed the goals, current and future capacity, issues with Glacier Creek and Mary's Lake plants (quality/regulations, fire and flood risk, remote location, treatment capacity and reliability, facility age, building code concerns, waste handling and disposal, BOR control of raw water supply at Mary's Lake), water quality issues, compliance issues, current water rights, and treatment plant options (expand Mary's Lake, build new plant, fix both existing facilities). The preferred alternative would be to expand the Mary's Lake facility in 2 phases to 6 mgd capacity and mothball Glacier Creek in Phase 2. Mary's Lake could ultimately expand to 9 mgd. Water rights from Glacier Creek could be transferred to Mary's Lake and/or diverted downstream to the Big Thompson River. A change in the water treatment technology, submerged membrane, would eliminate the current operational issues at Mary's Lake without building a new plant and allow the plant to run at capacity. The schedule includes 2 years to complete the water rights, 1 year to design and 1 ½ to construct the changes to the Mary's Lake facility. Costs are estimated at \$5.2 million for Phase I and 7.3 million for Phase 2. Future expansion to 9 mgd may include a new 3 mgd facility, upgrade Glacier Creek facility or expand Mary's Lake facility to 9 mgd.

Chairman Homeier called for a 10 minute break at 9:25 a.m. The meeting resumed at 9:35 a.m.

Cil Pierce/HDR reviewed the methodology for establishing the financial plan including financial and rate policies, reserves including operating reserves (Town established fund balance of 90-day of O&M) and capital reserves (Town established fund balance of 2% of the asset value), a target debt service policy of 1.25 on all outstanding debt service (facilitating low interest rates on future revenue bonds), comparing revenue and expenses, adequacy of the utility's existing rates and planning over a longer time horizon.

Utilities Committee – January 18, 2007 - Page 2

The water utility financial plan includes budgeted revenues, expenses, taxes and transfer payments, debt service and Capital Improvement Plan (CIP) from rates. The water utility capital plan includes updated equipment, Bureau neighborhood waterlines, Mary's Lake facility expansion and the need to adequately fund CIP from rates. A 10% increase in rates is required to meet the current level of service from 2008 to 2009. A proposed rate adjustment of 5.6%/year from 2008 through 2013 is recommended. HDR attempted to minimize the rate impacts by using the reserves to cover expenses, inflation, renewals and replacements and meet debt service requirements. When setting rates the objective is to establish revenue stability and sufficiency, cost-based, fairness and equity, ability to pay, continuity in rate philosophy, simplicity, feasibility, legally defensible and efficient usage. The current and proposed average monthly residential bill would see a \$2 increase/month from 2008 through 2013.

LIGHT AND POWER DEPARTMENT

Light and Power Financial Plan – Review.

In June 2006, the Town contracted with HDR Engineering to provide a Financial Plan for the Light and Power Department that includes the Mary's Lake Substation and distribution system improvements with an estimated cost of \$6,000,000. The rebuild of the substation will be funded by Light and Power; however, Platte River Power Authority would design and build the new facility. This plan highlights budgetary shortfalls and recommends supplementary funding options, i.e. rate increases or revenue bonds while maintaining a 90-day O&M fund balance.

Mike Dahl/Platte River Power Authority (PRPA) reviewed the upgrades to the Mary's Lake Substation. These upgrades would allow the Town to transfer the load between the Estes and Mary's Substations to increase system reliability and flexibility. Either substation would be able to provide power for the entire valley if needed. Work would be conducted during the summer of 2008; however, the transformers need to be ordered within the next 4 to 5 months due to a 12 to 14 month lead time. The portion of the building that will house the new transformers will be demolished and reconstructed. PRPA would buy the equipment and hire a contractor to install the new equipment and bill the Town for its portion of the work at a projected cost of \$2,710,000. A portable substation would be used to supply power during the construction. Dir. Goehring stated an additional \$2 million is included in the financial plan to upgrade the distribution system in order to provide a redundant system. The work will take approximately 4 months to complete. **The Committee recommends approval for Platte River Power Authority to reserve the portable substation and include the rental cost on the final bill for the Mary's Substation improvements.**

Cil Pierson/HDR reviewed the financial requirements for Light and Power. The same methodology used for water was used for Light and Power. Capital projects include the upgrades to Mary's Lake substation in 2008 and improvements to the distribution system between 2007 through 2013 at a total cost of \$15.6 million. Funding sources include operating reserves, capital reserve and new bonds. Expenses include O&M, taxes and transfers, capital funded through rates, debt service and change in working capital. HDR proposed a 2% a year rate adjustment from 2008 through 2013. Light and Power must adequately fund CIP from rates for renewals and replacements to maintain debt service ratio. A new bond in 2008 would require a rate adjustment. Reserve levels would need to be monitored and capital reserve would be developed as needed. The average cost to the utility customer would be \$1/month for each year through 2013. Discussion followed regarding the rate increase/structure and whether or not to front load the increase in 2008 and 2009. HDR will provide other rate options at a future study session.

Reports

1. **Water and Light and Power Dept. Financial Reports** – Acting Dir. Goehring and Dir. McFarland reviewed the report.

RECORD OF PROCEEDINGS

Utilities Committee – January 18, 2007 - Page 3

There being no further business, Trustee Newsom adjourned the meeting at 11:03 a.m.

Jackie Williamson, Town Clerk