



BOARD OF TRUSTEES
December 16, 2025
6:30 PM

Leeper Center, 3800 Wilson Avenue, Wellington, CO

Work Session Agenda

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Webinar ID: 848 7116 2393

Passcode: 726078

A. ITEMS

1. 2025 Municipal Utilities Rate and Fee Study: Rate Advisory Group Recommendation
2. 2025 Municipal Utilities Rate and Fee Study: Water, Wastewater, and Storm Drainage User Fees

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: December 16, 2025
Subject: 2025 Municipal Utilities Rate and Fee Study: Rate Advisory Group Recommendation

BACKGROUND / DISCUSSION

The Rate Advisory Group (Advisory Group) was established to ensure community voices were included in the Town's water and wastewater rate study process. As outlined in the attached charter, the group's mission was twofold:

1. To ensure that structure pricing objectives reflect both the views of the community and those established by the Board of Trustees.
2. To provide input on rate options and associated customer impacts while maintaining the foundational elements of the Town's rate structures.

Each member of the Advisory Group was appointed by a Board of Trustee member to represent a cross-section of Wellington utility customers. Since its formation, the group convened five formal meetings between May and October, reviewed extensive informational materials, and engaged in constructive dialogue on complex rate-setting issues.

With the support of Raftelis and Town staff, the Advisory Group developed a new rate structure recommendation for water rates. The group demonstrated exceptional collaboration and commitment to serving the community, working diligently to balance fiscal responsibility with affordability for residents.

At this work session, the Advisory Group will present its final recommendation directly to the Board of Trustees, fulfilling the transparency goals outlined in the charter. The Board packet has been updated with materials received from the Advisory Group.

STAFF RECOMMENDATION

N/A

ATTACHMENTS

1. Wellington 2025 Rate Advisory Group Charter
2. Wellington_Water_Rate_Round_Table_Presentation_Final (002)



2025 Rate Advisory Group Charter

Town of Wellington

The Town strongly believes that our community should have a voice in decisions that affect them. Therefore, as part of the study process for updating water, wastewater, and stormwater rates, the Town has formed a Rate Advisory Group (RAG) of community volunteers.

The mission of the RAG is to assemble diverse perspectives from our community to assist the rate consultant and Town staff with evaluating and advising on the Town's water and wastewater rates. The RAG has two overarching purposes:

- To represent and communicate the views of the community, ensuring that rate structure pricing objectives include those established by the Board of Trustees
- To provide input on rate options and associated customer impacts, while maintaining the foundational elements of the Town's rate structures

Deputy Director of Public Works Meagan Smith will be the point of contact for RAG members. Meetings will be in the evening over the next three months and are anticipated to be completed in August 2025:

- Meeting 1 - May 28
- Meeting 2 - June 24
- Meeting 3 - July 23
- Meeting 4 - August 19

The Town will summarize the key information gathered during the RAG meetings and include it in regular updates to the Board of Trustees (BOT).

RAG Responsibilities

RAG members will be expected to:

- Attend all meetings
- Review the agenda and informational material between meetings
- Be respectful of others' views and input
- Provide thoughtful input on study proposals
- Remain accessible to the study team for follow-up as needed

Committee members will participate in up to four meetings. The Town and the rate design consultant will provide presentations, project reports, and feedback opportunities at each meeting. Meetings will be facilitated to ensure that committee members' time is maximized and that all committee members can participate fully and express their point of view. The consultant will be responsible for record-keeping and documentation of the meetings. After each meeting, the facilitator will prepare a summary of the discussion, the outcomes, and the



next steps. The committee will be asked to review each summary for inclusion in the final report.

Decision Making Process

The RAG will work collaboratively to build consensus on recommendations. One recommended definition for consensus is “That point in the conversation when the will of the group is unmistakably clear, even to those most opposed.”

Reporting to the Board of Trustees

The Town is committed to transparency in all aspects of the rate study process. To uphold this commitment, the RAG will directly present its final recommendations to the BOT at the conclusion of the rate study. This presentation will provide a clear and comprehensive overview of the RAG’s recommendations, including the community input gathered, data analyzed, and the decision-making process employed. Allowing the RAG to present directly to the BOT ensures that the community’s voice is fully represented and fosters trust through an open and transparent process.

Water Rate Round Table

Recommendation to the Board of
Trustees



Round Table Overview

- 6 community members appointed by the Board of Trustees
- Representation from both potable and non-potable irrigation users
- Diverse water usage patterns ensuring balanced perspective
- Charged with recommending rate structure considerations

Our Process

- 5 meetings held during Summer and Fall 2025
- Partnership with Town staff and Raftelis consulting
- Reviewed detailed usage data and rate alternatives
- Members conducted direct outreach with residents
- Evaluated multiple rate structure options

Our Guiding Philosophy

- A solution that works for everyone—not one person's ideal
- Rates should reflect actual cost to deliver water
- No cross-subsidization between user groups
- Lower users should not subsidize higher users

Pricing Objectives

- Required: Revenue Sufficiency, Defensibility, Cost Recovery Between Classes
- Essential Water Use Pricing
- Customer Impact
- Cost Recovery Within a Class
- Ease of Administration and Customer Understanding

What We Heard from Residents

- High water bills are a major concern
- Sudden changes in bills without clear explanation
- Variability in monthly bills makes budgeting difficult
- Concern that lower-usage residents subsidize higher users
- Desire for predictable, understandable rate structure

Current Rate Structure

Single Unit Residential	Usage Rate per 1,000 gal	Pricing Ratio
Base Rate – ¾ in. tap	\$54.81	
Tier 1 (0-3,000 gal)	\$0.00	
Tier 2 (3,001-7,000 gal)	\$12.90	1.0
Tier 3 (7,001-20,000 gal)	\$16.76	1.3
Tier 4 (more than 20,000 gal)	\$23.86	1.85

Proposed Rate Structure

Single Unit Residential	Usage Rate per 1,000 gal	Peaking Factors
Base Charge – ¾ in tap	\$21.70	
Tier 1 (0-5,000 gal)	\$13.73	1.0
Tier 2 (5,001-35,000 gal)	\$15.43	1.12
Tier 3 (more than 35,000 gal)	\$21.46	1.2 + (\$5.01/1,000 gal)*
* \$5.01 per 1,000 gallons raw water acquisition surcharge		

Why This Works

- Flatter structure creates more predictable bills
- • Better aligned with actual cost to deliver water
- • Eliminates cross-subsidization between users
- • Directly addresses resident concerns
- • Durable, defensible, and deliberate

Our Recommendation

The Water Rate Round Table recommends the Board of Trustees adopt the proposed rate structure.

Board of Trustees Meeting

Date: December 16, 2025

Subject: 2025 Municipal Utilities Rate and Fee Study: Water, Wastewater, and Storm Drainage User Fees

BACKGROUND / DISCUSSION

In March 2025, the Town of Wellington entered into a contract with Raftelis to conduct a comprehensive rate and fee study for the water, wastewater, and storm drainage enterprises. The study, a three-year follow-up to the Rate and Fee Study completed in 2022, is to ensure financial sustainability, equity among customer classes, and alignment with long-term infrastructure needs.

From April to October 2025, Town staff and Raftelis worked closely with the Rate Advisory Group (Advisory Group), a committee of utility customers appointed by the Board of Trustees. The Advisory Group reviewed extensive materials, participated in five structured meetings, and provided valuable input on rate-setting objectives and community priorities.

Several iterations of rate design alternatives were considered during this process. These included options for maintaining the existing rate structure and implementing a new water rate structure recommended by the Advisory Group. The proposed rates presented at this work session reflect the revenue requirements identified in the financial plans and incorporate the Advisory Group's recommended water rate structure as a primary alternative.

Town staff and Raftelis will present the proposed rates for water, wastewater, and storm drainage based on the findings of the 2025 Rate Study. This presentation will include:

- Financial Plan Results: A five-year outlook for revenue requirements, reserves, and debt service coverage to ensure financial sustainability and compliance with loan covenants.
- Cost of Service Analysis: Allocation of costs among customer classes based on usage and demand characteristics.
- Rate Design Alternatives: Options for implementing the Rate Advisory Group's recommended water rate structure or retaining the existing structure, along with timing considerations for revenue adjustments.
- Wastewater and Drainage Recommendations: Updated cost of service results and proposed adjustments to meet long-term capital and operations needs.

The Board will be asked to provide feedback on preferred water rate structure alternatives, confirm alignment with wastewater recommendations, and consider adjustments to the Town's drainage fee.

STAFF RECOMMENDATION

N/A

ATTACHMENTS

1. 2025 Rate and Fee Study Presentation 12.16.2025

Town of Wellington

Water, Wastewater, and Storm Drainage Utility Rate Study

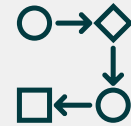
December 16, 2025



Agenda



Study goals and objectives



Rate study process



Financial plan results



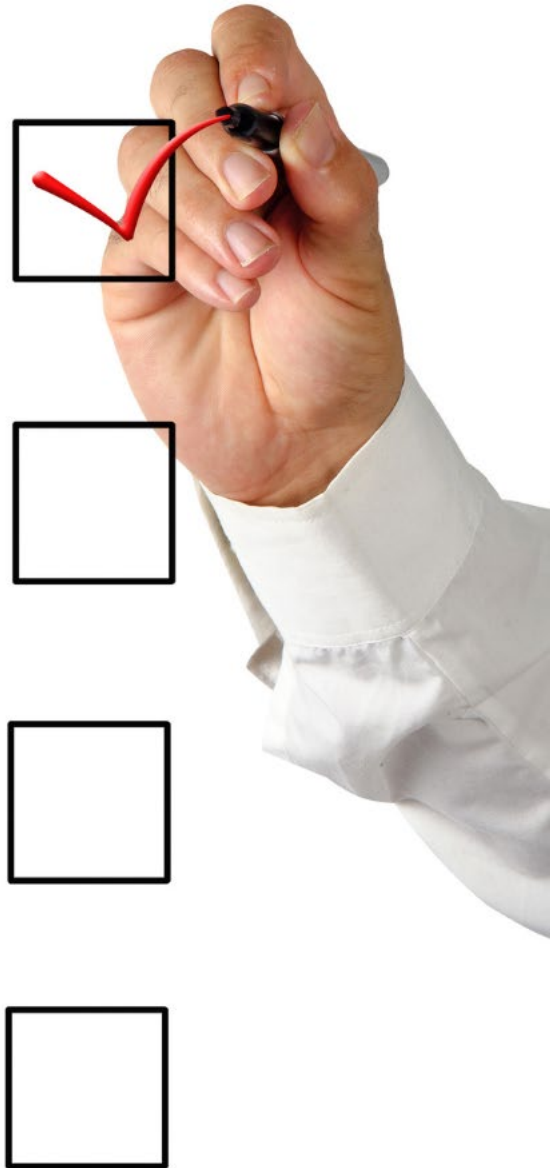
Cost of service analysis



Rate structure alternatives



Peer utility rate survey



Today's goal: Discussion and feedback on:

- Proposed 5-year financial plan cash flow and annual revenue adjustments
- Proposed rate structure alternatives



Why are rate studies important?



Ensures Financial Sustainability



Promotes Equity and Fairness



Supports Long-Term Planning

Utilities face several challenges



Inflationary Pressures



More Stringent Regulatory Requirements



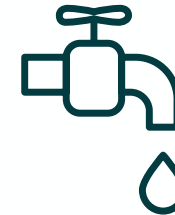
Rate Increase Fatigue



Climate Shift

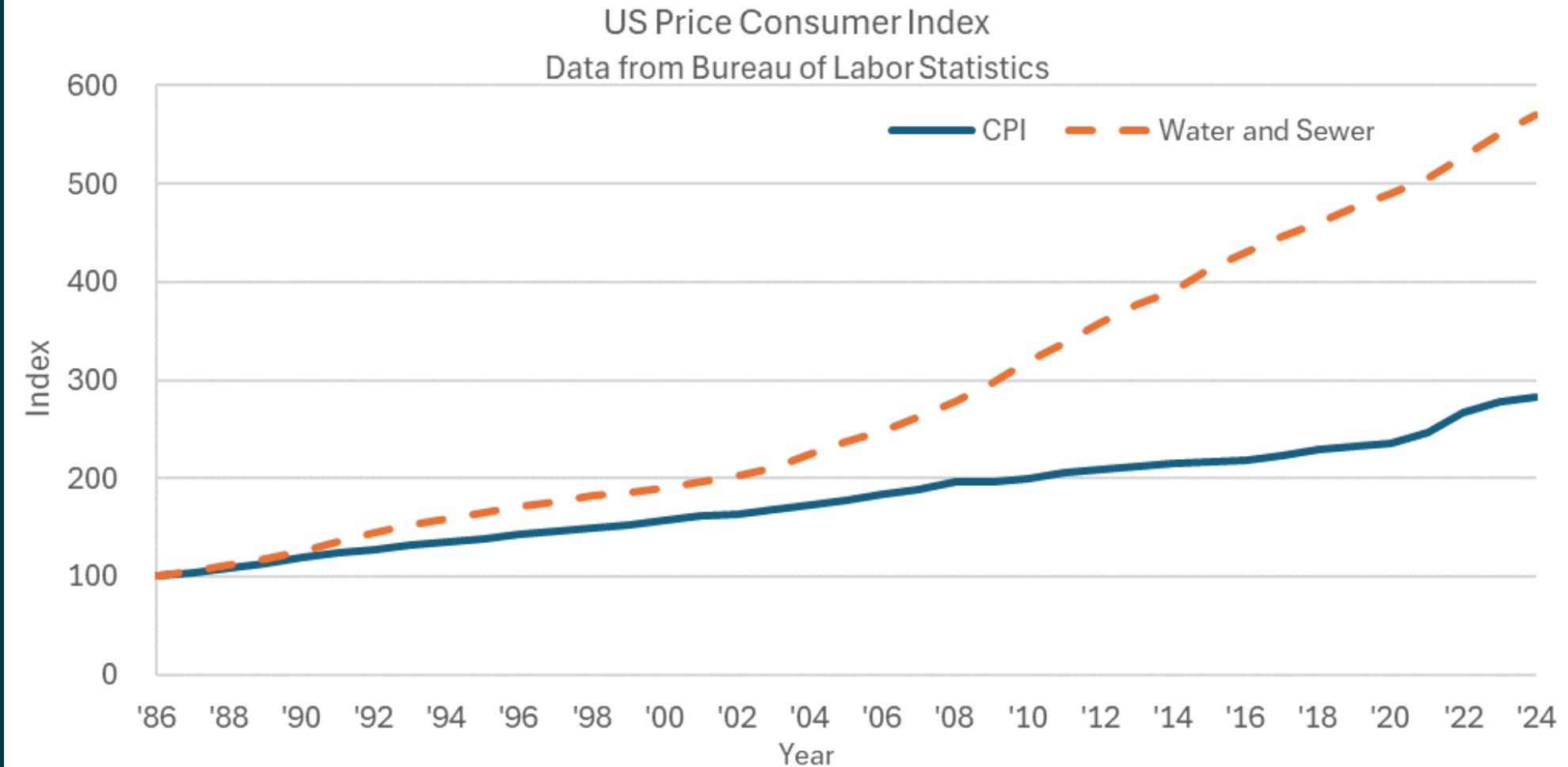


Future Borrowing Terms and Assumptions



Increasing Capital Reinvestment Costs to address high risk of failure assets

Water costs continue to increase locally and nationwide



Study Goals and Objectives



Set rate revenues that are sufficient to meet annual operating expenses, debt service, and capital expenditures



Implement a proactive capital improvement program to maintain each utility's level of service



Maintain targeted reserve levels and bond covenant requirements



Design rates that meet community objectives:

- Cost recovery between classes
- Cost recovery between low and high volume customers
- Wise use of water
- Ease of administration and customer understanding

Rate study process



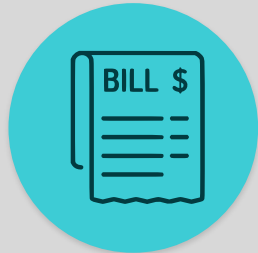
Financial plan

What amount of revenue is needed?
2026 – 2030 study period



Cost of Service

Is each class paying its proportionate share of costs?



Rate Design

Do rates meet community objectives while recovering costs?



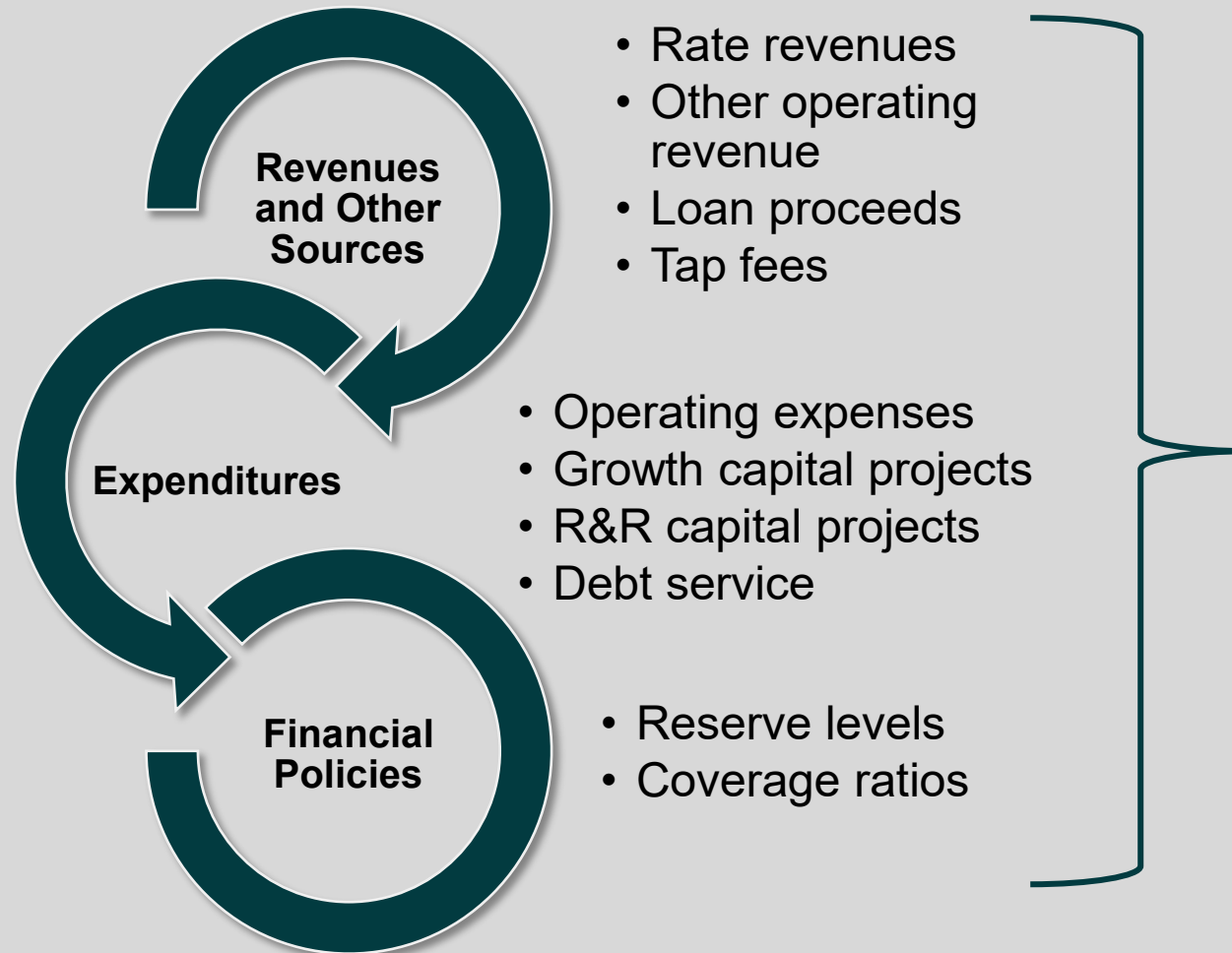
Tap Fees – To be discussed January 2026

Are tap fee recovering the cost to serve new development?



Step 1: Financial Planning Process

What is the revenue required to meet expenditures?



**Multi-Year
Financial Plan**

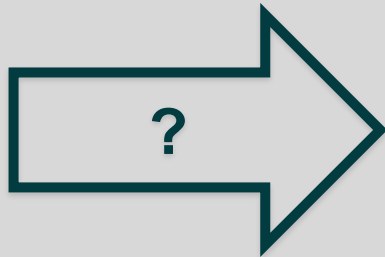


Step 2: Cost of service analysis

A means of allocating operating and capital costs to customer classes



Revenue
Requirement



Residential
Single-Unit



Commercial



Residential
Multi-Unit



Irrigation



Step 2: Cost of service – what are the key elements?



- Determines amount of revenue to be recovered from each customer class



- Based on the principle of cost causation – those who cause the cost, pay the cost (i.e. proportionality)



- Recognizes the different demand and customer characteristics of each class



- Cost to provide service will vary by class



Step 3: Rate design

Two components: Fixed charge + volume rates

Single-unit residential example

Base Rate

Item	Monthly Charge \$ per bill
Per Dwelling Unit	\$34.13



Volume Rates

Threshold (gallons)	Volume Rate \$ per 1,000 gal
0 – 3,000	\$0.00
3,001 – 5,000	\$7.80
5,001 – 14,000	\$10.15
> 14,000	\$14.46



Monthly Water Bill



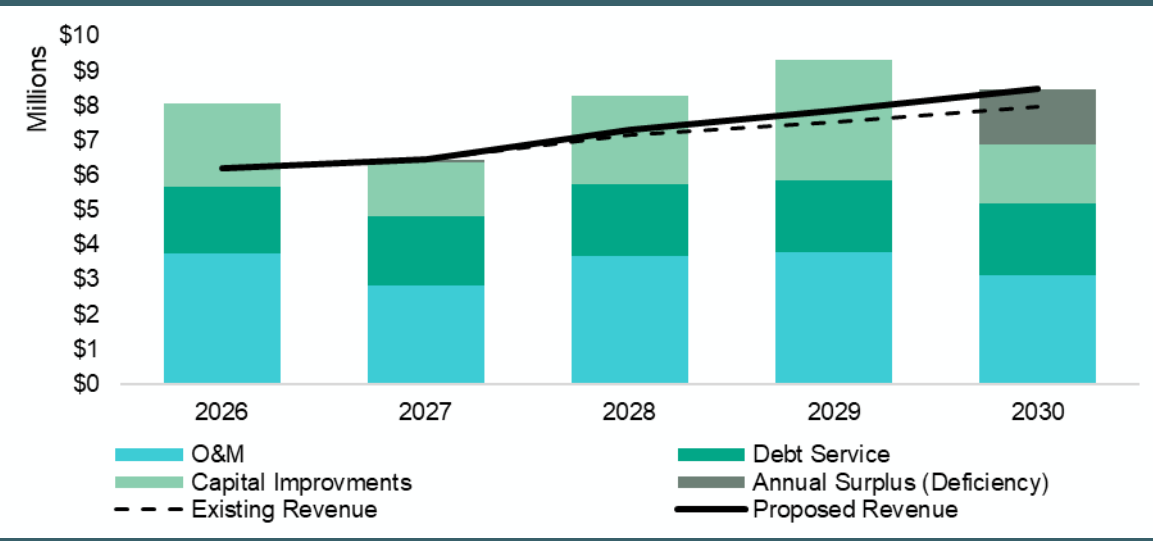
Financial Plans



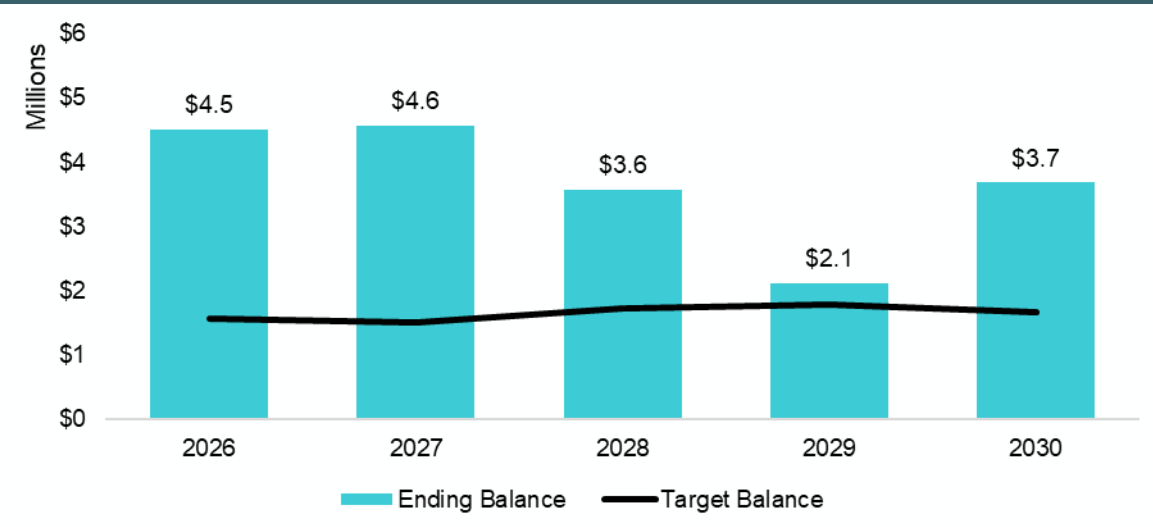


Proposed water financial plan

Revenues & Expenses



Ending Balance & Reserve Targets





Water utility fund summary

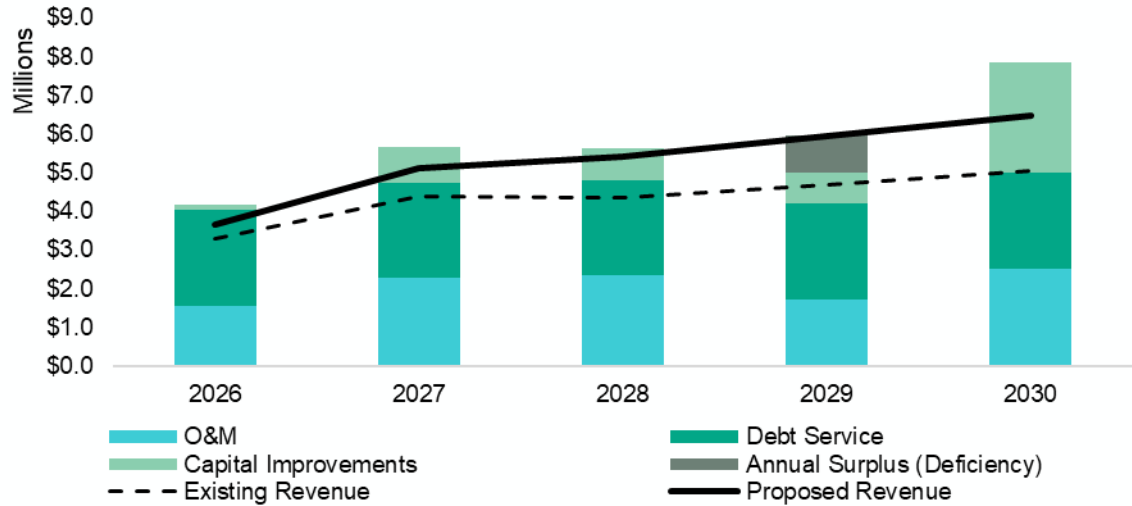
Item	2026	2027	2028	2029	2030
Rate Revenue Increase	0.0%	0.0%	3.0%	3.0%	3.0%
Ending Balance, \$ millions	\$4.51	\$4.57	\$3.57	\$2.11	\$3.68
Target Reserves, \$ millions	<u>1.56</u>	<u>1.50</u>	<u>1.73</u>	<u>1.79</u>	<u>1.66</u>
<i>Over/(Under) Target</i>	\$2.95	\$3.07	\$1.84	\$0.32	\$2.02
Debt Service Coverage [1]	1.30	1.44	1.44	1.55	1.70

[1] Excluding tap fee revenue, the utility remains above the coverage requirement of 1.10x debt service.

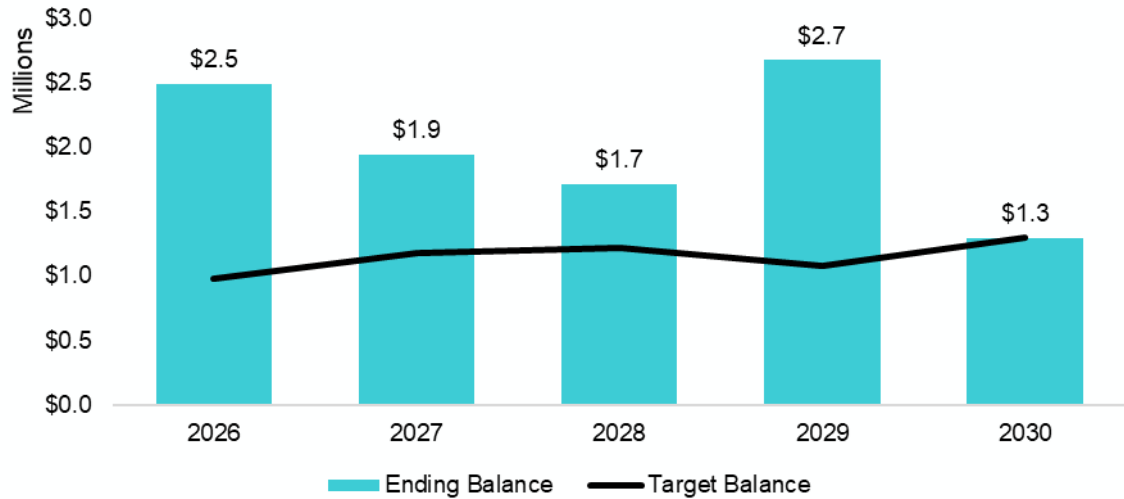


Proposed wastewater financial plan

Revenues & Expenses



Ending Balance & Reserve Targets





Wastewater utility fund summary

Item	2026	2027	2028	2029	2030
Rate Revenue Increase	18.0%	10.0%	8.0%	3.0%	3.0%
Ending Balance, \$ millions	\$2.49	\$1.94	\$1.71	\$2.67	\$1.30
Target Reserves, \$ millions	<u>0.98</u>	<u>1.18</u>	<u>1.22</u>	<u>1.08</u>	<u>1.30</u>
<i>Over/(Under) Target</i>	\$1.51	\$0.76	\$0.50	\$1.59	\$0.00
Debt Service Coverage [1]	0.69	0.88	0.99	1.10	1.20

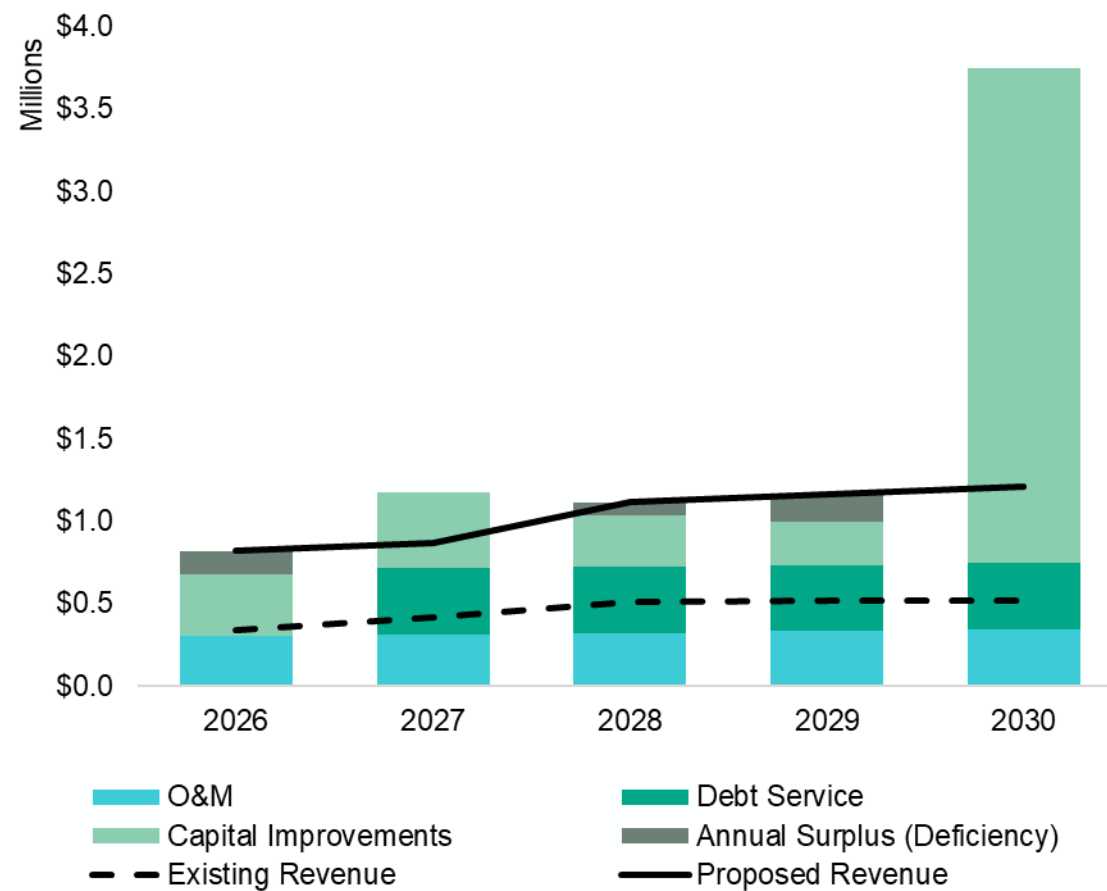
[1] Excluding tap fee revenue, the utility meets the debt service coverage target of 1.10x in 2029. If tap fee revenue projections are included in the calculation the utility meets the target of 1.10x by 2027.

Drainage utility – residential bill impacts

	Existing	Proposed				
	2025	2026	2027	2028	2029	2030
TOW Portion	\$5.00	\$6.25	\$15.00	\$15.45	\$15.91	\$16.39
AUTH	\$6.33	\$6.33				
Total Monthly Residential Bill	\$11.33	\$12.58	\$15.00	\$15.45	\$15.91	\$16.39
<i>% - Change</i>		11.0%	19.2%	3.0%	3.0%	3.0%

Drainage utility – current assumptions

Revenues & Expenses



Financial plan summary



- **Water**
 - No revenue adjustments for two years (2026 & 2027)
 - Inflationary adjustments of 3% begin in 2028, or as needed
- **Wastewater**
 - Proposed revenue increases
- **Drainage**
 - Continue discussions on capital improvements and rates

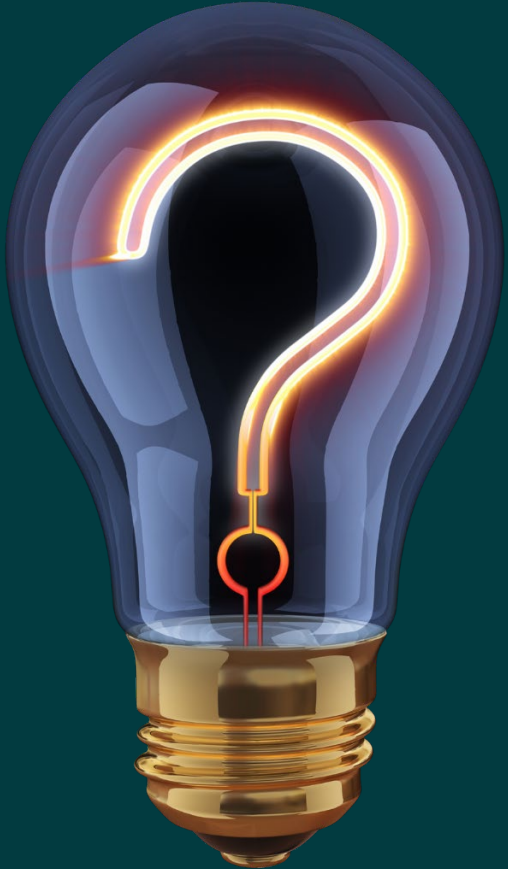
Water Rate Structure Alternatives



For Board consideration



- A structure which reflects community values
 - › Cost recovery between classes
 - › Cost recovery between low and high volume customers
 - › Wise use of water
 - › Ease of administration and customer understanding
- Rate structure considerations
 - › Proposed RAG structure
 - Implement in 2026
 - Implement in 2028 to align with first projected revenue adjustment
 - › Retain existing structure, no change

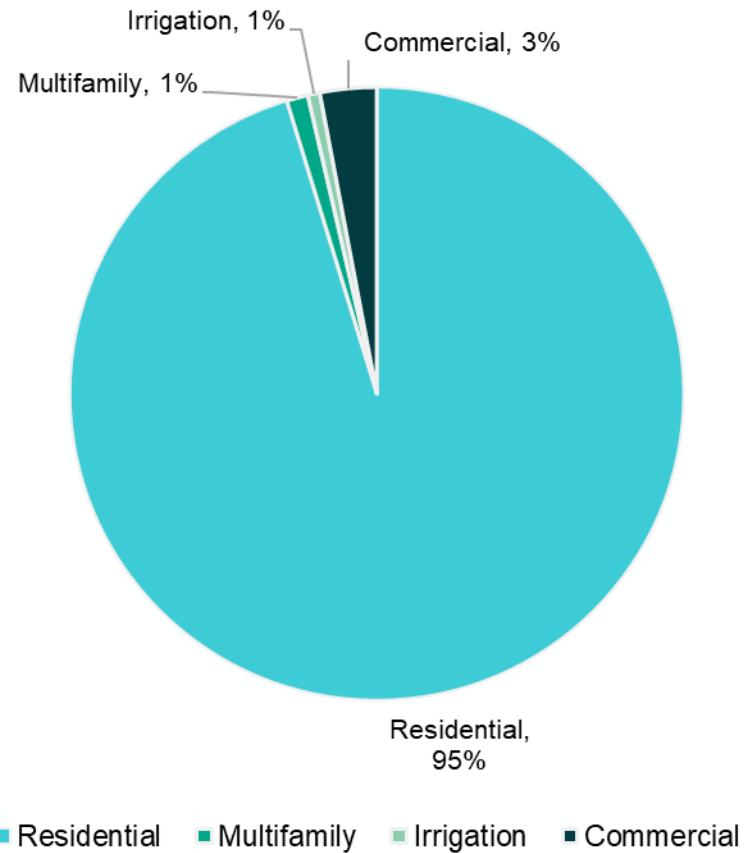


Rate structure alternatives

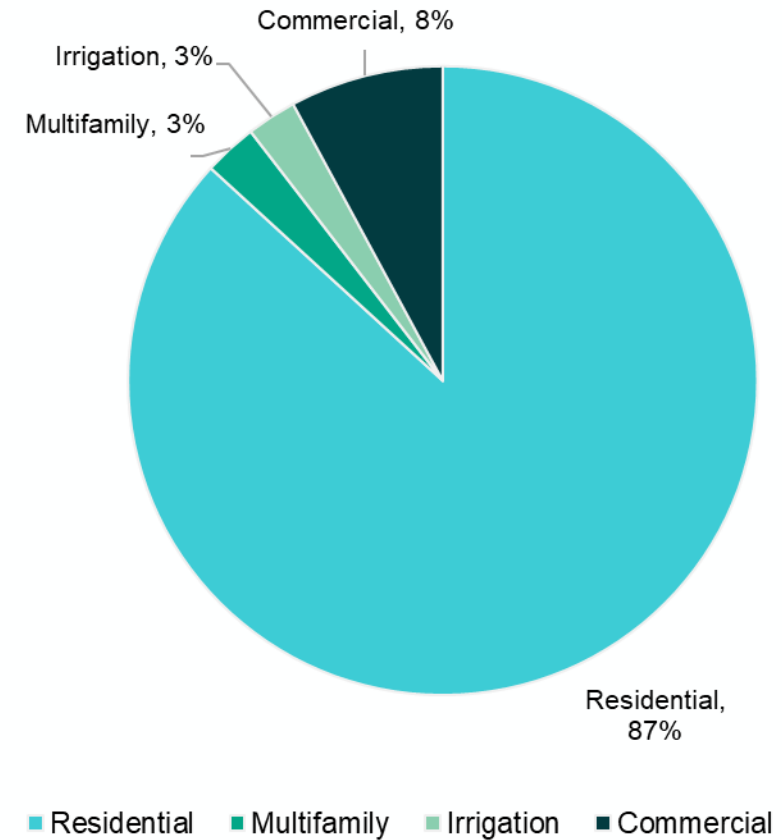
- **Selecting RAG structure**
 - › **Implement new structure in 2026**
 - No revenue adjustment in 2026
 - Change in structure may increase or decrease a customer's bill despite no revenue increase
 - › **Implement new structure in 2028**
 - Coincide with 2028 revenue increase of 3.0%
 - Some customers' bills will increase 3.0% or greater
 - Some customers' bills will increase less than 3.0%
 - Anticipated that no bill would decrease
- **Retain existing structure**
 - › No change to the rates
 - › A bill with the same level of usage in 2026 would be the same as what was paid in 2025

Water system class composition

Accounts by Class



Revenue by Class



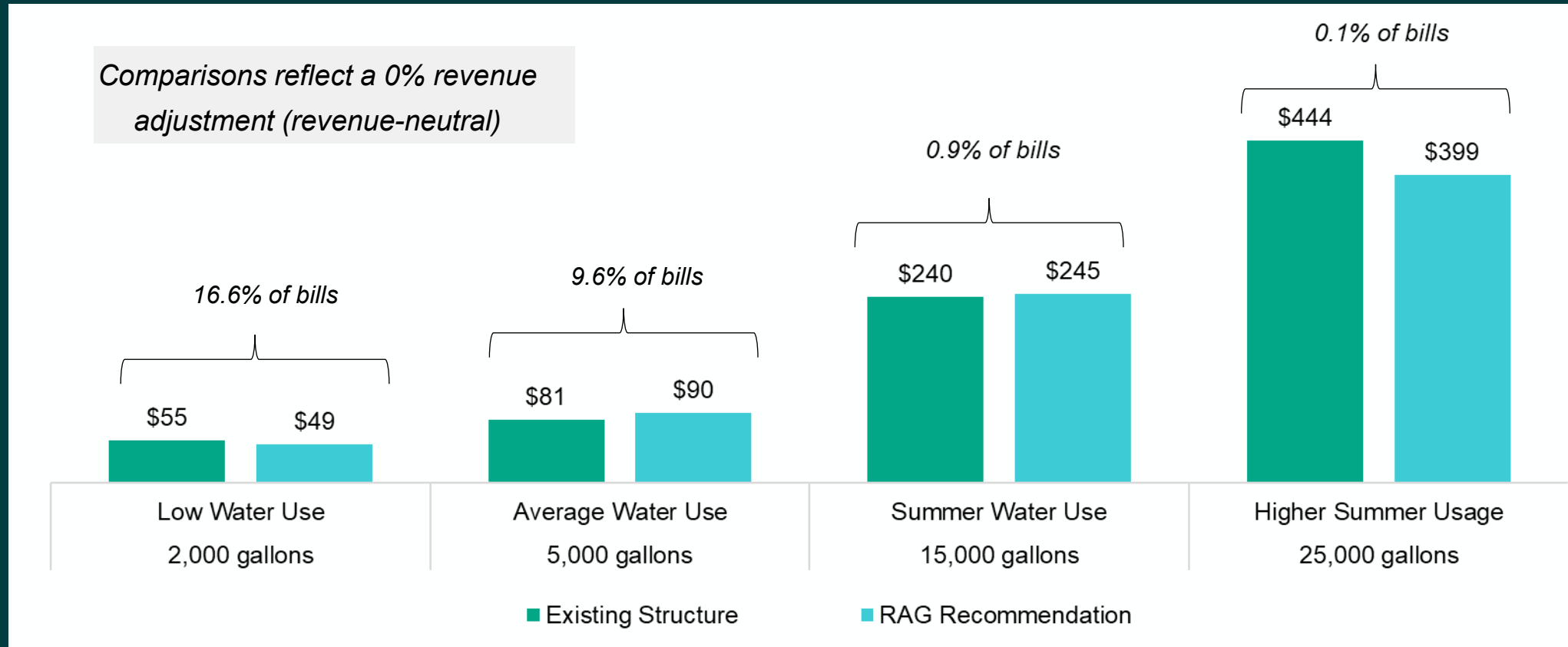
Existing and RAG recommended rates

Single-unit residential

Description	Existing Rate Structure	RAG Recommendation
Base Rate (per month, 3/4" meter)	\$54.81	\$21.70
Volume Rates, \$ per 1,000 gallons		
Tier 1: (0 – 3,000 gal)	\$0.00	
Tier 1: (0 – 5,000 gal)		\$13.73
Tier 2: (3,001 – 7,000 gal)	\$12.90	
Tier 2: (5,001 – 35,000 gal)		\$15.43
Tier 3: (7,001 – 20,000 gal)	\$16.76	
Tier 3: (> 35,000 gal) [1]		\$21.46
Tier 4: (> 20,000 gal)	\$23.86	
Tier 4: N/A		

[1] A portion of the RAG Recommended Tier 3 rate revenue is dedicated to raw water acquisition.

Single-unit residential customer bill impacts (2026)



Existing and RAG recommended rates

Multi-unit residential

Description	Existing Rate Structure	RAG Recommendation
Base Rate (per dwelling unit)	\$34.13	\$9.47
Volume Rates, \$ per 1,000 gallons		
Tier 1: (0 – 3,000 gal)	\$0.00	
Tier 1: (0 – 3,000 gal)		\$12.24
Tier 2: (3,001 – 5,000 gal)	\$7.80	
Tier 2: (> 3,000 gal)		\$13.68
Tier 3: (5,001 – 14,000 gal)	\$10.15	
Tier 3: N/A		
Tier 4: (> 14,000 gal)	\$14.46	
Tier 4: N/A		

Existing and RAG recommended rates

Commercial

Description	Existing Rate Structure	RAG Recommendation
Base rate (per month)		
3/4"	\$26.53	\$21.70
1"	\$38.88	\$32.18
1 1/2"	\$67.89	\$55.75
2"	\$104.71	\$87.19
Volume Rates, \$ per 1,000 gallons		
Tier 1: (0 – 25,000 gal)	\$12.93	
Tier 2: (25,001 – 120,000 gal)	\$16.14	
Tier 3: (> 120,000 gal)	\$19.37	
All Usage [1]	\$14.74	\$14.18

28

[1] The existing structure results in a uniform rate of \$14.74/1,000 gallons, improving administrative ease and customer understanding. The \$14.74 represents a weighted average, not a current rate.

Existing and RAG recommended rates

Irrigation

Description	Existing Rate Structure	RAG Recommendation
Base rate (per month)		
3/4"	\$26.53	\$21.70
1"	\$38.88	\$32.18
1 1/2"	\$67.89	\$55.75
2"	\$104.71	\$87.19
Volume Rates, \$ per 1,000 gallons		
Winter (November-April)	\$9.91	
Summer (May-October)	\$19.82	
All Usage [1]	\$19.81	\$15.58

²⁹ [1] The existing structure results in a uniform rate of \$19.81/1,000 gallons, improving administrative ease and customer understanding. Just 0.1% of use occurs November–April. The \$19.81 represents a weighted average, not a current rate.

Non-residential rate structure recommendations

- **Commercial Rate Structure Change**

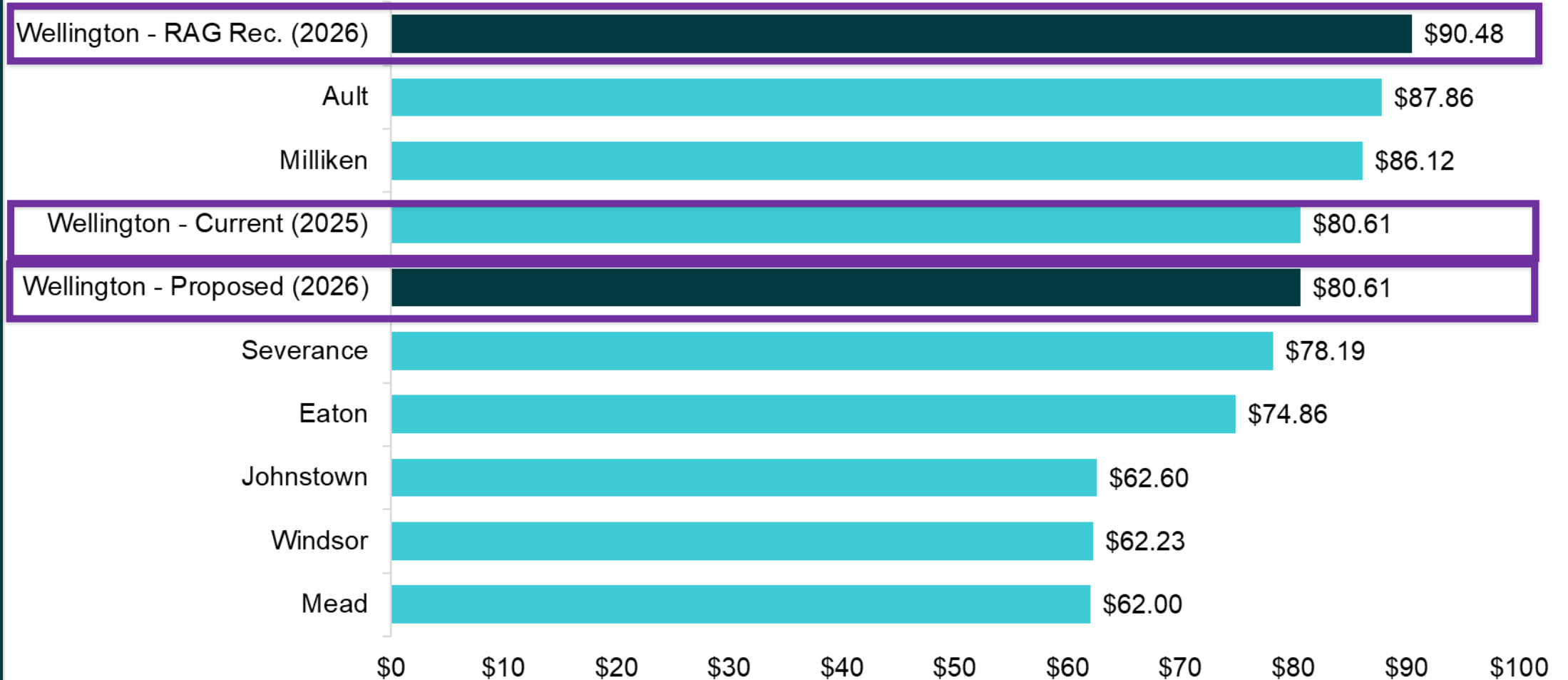
- › **Current Issue:** Tiered rates are inequitable for the commercial sector.
 - Commercial users are not homogeneous (e.g., high-use restaurants vs. low-use offices).
 - Businesses with naturally high usage are unfairly pushed into higher tiers.
- › **Recommendation:** Uniform rate.
 - Provides more equitable treatment across all commercial customers.
 - Aligns with RAG recommendations.

Non-residential rate structure recommendations

- **Irrigation Rate Structure Change**
 - › **Current Issue:** Seasonal uniform rates are difficult to administer.
 - › **Recommendation:** Uniform rate.
 - Simplifies billing for Town staff (eliminates summer/winter rate switching).
 - Reduces billing errors and improves customer understanding.
 - Seasonal usage is negligible during the winter
 - Aligns with RAG recommendations.

Peer water utility survey

3/4" single-unit residential customers, 5,000 gal



Wastewater Rate Structure Recommendations



Wastewater rate structure recommendations

Description	Existing 2025 Rates	2026 Across the Board Increase	2026 Cost of Service Results [1]
Monthly base fee, \$ per <u>bill</u>	\$15.38	\$18.15	\$15.25
Volume Rates, \$ per 1,000 gallons			
Single-Unit Residential, AWC [2]	\$8.84	\$10.43	\$10.46
Multi-Unit Residential, AWC	\$8.84	\$10.43	\$10.46
Commercial, 85% of Actual Water Use	\$8.84	\$10.43	
Low Strength			\$10.18
Medium Strength			\$12.76
High Strength			\$20.46

[1] Staff recommendation. Introduces high-strength surcharge rates for commercial customers.

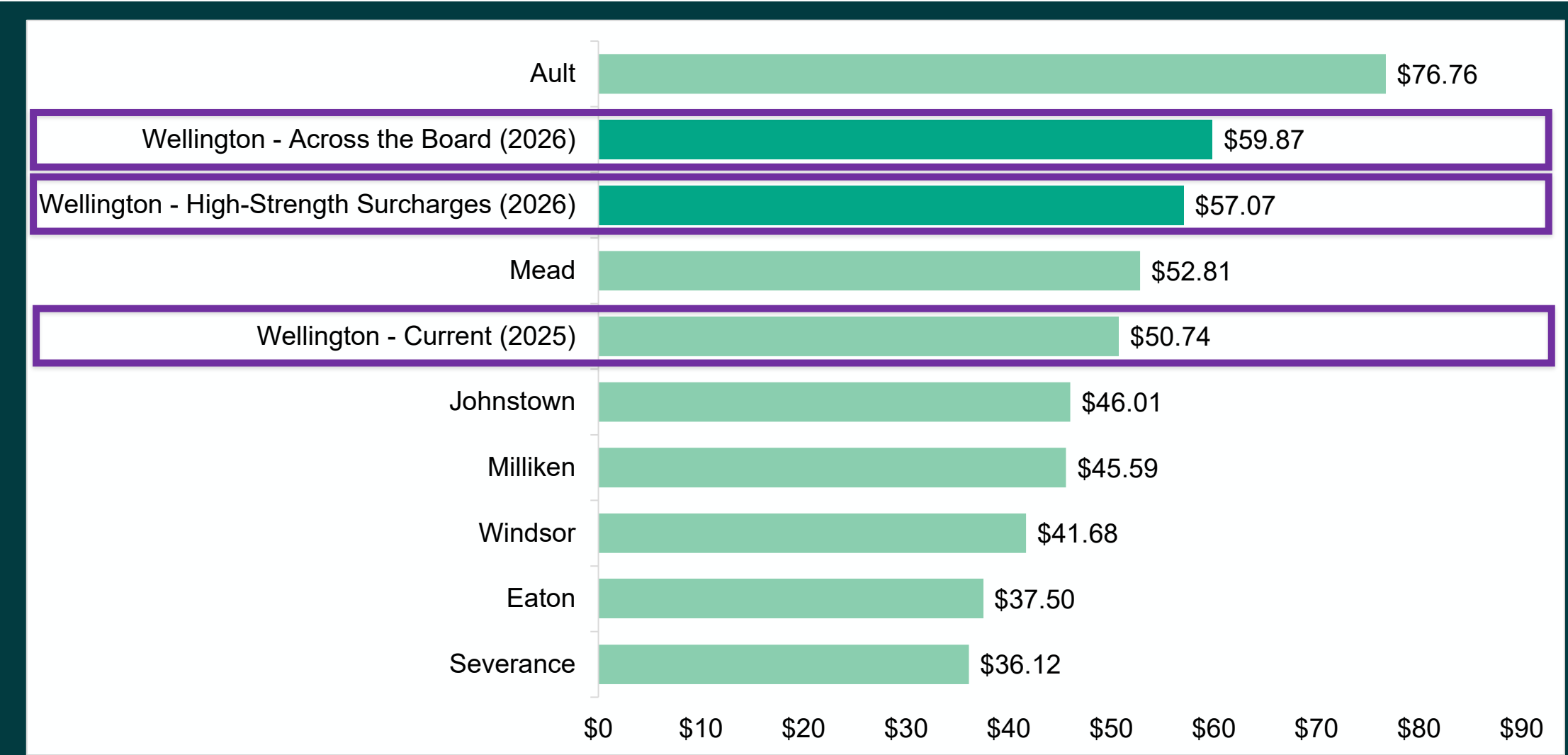
[2] AWC is the average winter consumption from water meter reads in Jan., Feb., and March.

Typical monthly wastewater bill comparison



Peer wastewater utility survey

Single-unit residential customers, 4,000 gal



Drainage Utility Rates



Drainage utility background

Current Drainage Fee Structure

- Two components:
 - Town of Wellington Drainage Fee (Flat Monthly Charge):
 - Approved by Ordinance No. 1-2017
 - Residential (Single and Multi-Unit): \$5.00/unit
 - Commercial: \$9.25
 - Boxelder Basin Regional Stormwater Authority (BBRSA) Fee:
 - Residential (Single and Multi-Unit): \$6.33/unit
 - Commercial: Rate varies based on lot size

Drainage utility background

- **Storm drainage master plan was completed in 2023**
 - › Identified projects from master plan were incorporated into this study.
- **BBRSA Status**
 - › The "AUTH Storm Drainage" fee will sunset upon the closure of the Authority.
 - › The Town and regional partners are currently in discussion regarding the closure of the Authority, potentially as early as the end of 2026.
 - The actual timeline may extend through 2027 due to external stakeholder complexity.
 - › Current modeling assumes closure by the end of 2026.

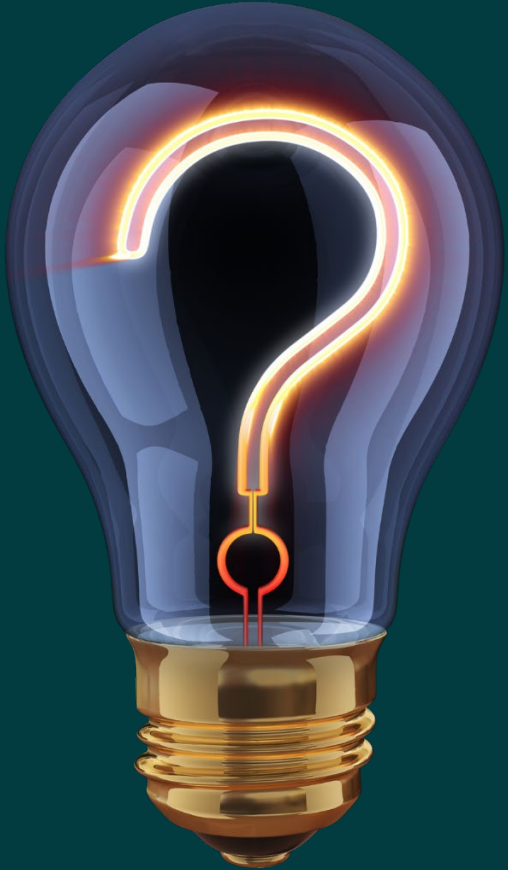
Existing and proposed drainage utility rates

Customer Class	Existing	Proposed				
	2025	2026	2027	2028	2029	2030
Residential	<u>\$11.33</u>	<u>\$12.58</u>	<u>\$15.00</u>	<u>\$15.45</u>	<u>\$15.91</u>	<u>\$16.39</u>
TOW	\$5.00	\$6.25	\$15.00	\$15.45	\$15.91	\$16.39
AUTH (BBRSA)	\$6.33	\$6.33				
Multi-unit (per unit)	<u>\$11.33</u>	<u>\$12.58</u>	<u>\$15.00</u>	<u>\$15.45</u>	<u>\$15.91</u>	<u>\$16.39</u>
TOW	\$5.00	\$6.25	\$15.00	\$15.45	\$15.91	\$16.39
AUTH (BBRSA)	\$6.33	\$6.33				
Commercial	<u>\$15.58</u>	<u>\$17.89</u>	<u>\$27.75</u>	<u>\$28.58</u>	<u>\$29.44</u>	<u>\$30.32</u>
TOW	\$9.25	\$11.56	\$27.75	\$28.58	\$29.44	\$30.32
AUTH (BBRSA) [1]	\$6.33	\$6.33				

Peer drainage utility survey

Single-unit residential customers, 8,000 sq ft lot





Board direction

- **Water**

- › Which water rate structure alternative does the Board prefer?

- **Wastewater**

- › Does the Board support the updated cost-of-service results that align with Staff and RAG recommendations?

- **Storm drainage**

- › Does the Board support Staff's recommendation to increase the TOW monthly drainage charge from \$5.00 to \$6.25 for 2026?

Next Steps



- **January 20, 2026 Board Work Session**
 - › Tap fee discussion
- **Spring 2026**
 - › Public outreach and education
- **April 1, 2026**
 - Rate implementation for 2026
 - Sewer rate calculation based on average winter water volume usage (Jan – Mar)
 - Equal Payment Plan Program "true-up"



Thank you!

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