

RESOLUTION NO. 87-93

ADOPTING RULES AND REGULATIONS FOR THE JOINT SEWER SYSTEM

WHEREAS, the City, by contract, is the Manager of the Joint Sewer System; and

WHEREAS, the Manager has begun the process of documenting existing practices and procedures; and

WHEREAS, the first step is reflected in the attached Rules and Regulations; and

WHEREAS, the City Council finds that such Rules and Regulations are in the public interest and should be approved,

NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GRAND JUNCTION, COLORADO:

The attached Rules and Regulations are hereby adopted and shall govern the operation and management of the Joint Sewer System.

PASSED and ADOPTED this 1st day of December, 1993.

/s/ R.T. Mantlo
President of the City Council Pro

Tem
Attest:

/s/ Stephanie Nye
City Clerk

SEWER RULES AND REGULATIONS

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**SEWER REGULATIONS
for the Persigo Wastewater Treatment Plant
and Facilities**

SECTION 1.

A. PURPOSE

The purpose of these Regulations is to:

1. Establish standards for operations and maintenance of the Persigo Wastewater Treatment Plant, and appurtenant facilities including interceptors, trunk lines, collectors, lift stations, and other connecting pipes, easements and rights-of-way therefor, and interconnecting systems and pipes whether or not owned or controlled by the City or the County ("the System").
2. Implement the May 1, 1980 Joint Sewerage Service agreement, as amended through November 18, 1980, between Mesa County and the City of Grand Junction ("the 1980 Agreement"). Since the 1980 Agreement does not address many issues concerning the System, its use or operation, conditions and requirements for connection, and others, the City adopts these regulations to direct and allow the Manager to exercise, to the fullest extent possible, its discretion and power, except to the extent limited by applicable law.
3. Establish financial planning requirements, describe types and restrictions on the use of the funds of the System, and adopt the accounting and reporting standards applicable to the revenues and expenditures of the System. Through such implementation, and pursuant to the general grant of both power and duty to the Utility Director, acting as the Manager of the System, and the City Council operate, plan for, extend, and maintain the system in the manner deemed appropriate by such Manager so long as not contrary to the terms of the Agreement, with regard to the assets and resources of the System:
 - a. accounting and financial guidelines;
 - b. establishment of fund balance requirements;
 - c. lending rules, limitations and procedures;
 - d. ten-year capital and operating plans based on assumptions and projections deemed reasonable by the Manager;
 - e. billing and collection rules and rates;
 - f. pay scales and positions for employees of the System:

- g. administrative overhead services provided to the System by the Manager and charges and expenses for such services rendered;
 - h. surcharges to residents within special districts which provide sanitation services, unless prohibited by federal law or the terms of any EPA grants; and
 - i. allocation of revenues received by System customers to the various capital reserve accounts.
4. Facilitate the implementation of the annexation policies of the City.
 5. Control and plan any System expansion in the 201 planning area and expansion of the 201 area.
 6. Not by way of limitation, these regulations are intended to provide for the fullest exercise of: a home-rule city's powers, acting through the Manager, derived from Colorado's Constitution, Article XX, Section 6; the authority obtained by virtue of the county's delegation pursuant to Section 29-4-101, C.R.S.; the powers stated or implied in §§31-35-101 et. seq. C.R.S.; and other applicable law.
 7. To provide a written resource to guide not only the Manager over time, but also the County as a co-owner of the plant and other interested parties.

B. PROCESS TO ADOPT EXISTING AND NEW REGULATIONS.

The Regulations adopted this date describe, in part, existing procedures and rules, i.e. administrative and not legislative which apply to the System and which have been implemented by the Manager since May of 1980. From time to time, the Manager may propose to the City Council supplements or changes to these administrative procedures and rules with additional existing administrative procedures, rules, and policies which have been implemented by the Manager since May of 1980.

From time to time the Manager may propose changes to existing procedures, rules and policies which are legislative in nature. With respect to such new or additional changes to existing legislative procedures, rules, and policies, the following process should be followed:

The Manager shall publish, in a newspaper of general circulation in the City, the text of the proposed amendment and notice of a meeting at which the text shall be considered for adoption by the City Council. The City Council shall, at

such meeting provide an opportunity to interested parties to make comment and to suggest changes. The City Council shall determine whether the text is adopted or is changed in whole or in part.

The Manager may immediately implement a new or modified procedure, rule or decision concerning administrative matters if the Manager determines such change to be in the best interests of the System or the Manager may delay the implementation of any such new administrative procedure, rule or decision until after an appropriate comment period.

SECTION 3 - FINANCIAL REQUIREMENTS AND ACCOUNTING

A. REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS (AUDIT).

An audit of the System's financial statements shall be completed once each year. Each audit shall be conducted by independent certified public accountants who shall deliver a copy of the audit to both the City and to the County. The auditor will express an opinion as to the financial position and results of operation of the System and whether or not the Manager is operating the System in conformity with generally accepted accounting principles. The auditors will, from time to time, provide additional opinions upon instruction from the Manager and will annually certify in the audit as to compliance with sewer revenue bond requirements. The Manager shall select the auditor. The auditor for the System may be the same auditor who audits for the City.

B. BASIS OF ACCOUNTING.

The System shall be accounted for as a proprietary enterprise fund. The name of the Fund shall be the "Joint Sewer System Fund". The financial statements shall be prepared on the accrual basis of accounting. A summary of significant accounting policies shall be outlined in the footnotes of each audit.

All of the funds and accounts described *infra* shall be maintained as book accounts in the "Joint Sewer System Fund", shall be kept separate from all other Funds of the City, and shall be accounted for and used solely for System purposes.

C. BUDGET AND TEN YEAR FINANCIAL PLAN

A two year budget of the Joint Sewer System Fund (hereinafter "Fund") shall be used. Such a budgeting and accounting system complies with the requirements outlined in the County Resolution MCM 92-160. County Resolution MCM 92-160 authorizes the sale of sewer refunding revenue bonds dated January 21, 1993. County Resolution MCM 92-190 replaced County Resolution MCM 80-179 which authorized the sale of sewer revenue bonds dated November 1, 1980. To effectuate the sale of the bonds, the City adopted analogous

ordinances numbered 2626 and 1922.

The Manager shall continue to prepare a ten year operating and capital financial plan for the Fund, which includes the two year budget. The ten year plan shall be a rolling ten-year plan which is reviewed and changed annually, by the Manager, to reflect changing operational and capital needs and economic conditions of the Fund.

The ten year financial plan shall be based on the Manager's estimates of System revenues, operation and maintenance expenses, debt service requirements, bond fund reserves, operation and maintenance expense reserves, minimum working capital reserves, planned capital improvements, and capital improvement reserves.

The ten year plan shall incorporate bond covenant revenue requirement ratios, current expense-to-current revenue ratios, and the Manager's anticipated rate changes during the ten year period to insure that all requirements of the bond covenants, and the requirements of the Manager, are met and balanced over each "rolling" ten year period.

D. BUDGET SUBMITTAL

Prior to October 1 of each year, the Manager shall submit to the County and to the City Council its anticipated budget for the following year, including the Manager's recommended user charges, tap fees, and plant investment fees. The County shall adopt such user charges, tap fees, and plant investment fees.

It is the practice of the Manager to begin preparation of the Fund budget well in advance of October 1. Submission of each draft budget in late September typically reflects all changes to date. Additional review and changes occur after October 1. Such a process is approved. The Manager shall endeavor to communicate all changes in a timely fashion to the City Council and County.

Review and final adoption of the budget and proposed rates may occur in the following sequence:

- Submission of the proposed budget and proposed rates to the City Council and the County Commissioners.
- First reading of the City ordinance adopting the rates. The practice of the Manager is to adopt rates to be effective January 1 of the following year. To this end any rate change may be adopted separately from an appropriation ordinance.
- Resolution of the County Commissioners adopting the rates.

- Second and final reading of the City's ordinance adopting the rates.

E. SYSTEM REVENUE FUNDS

The Manager shall continue to establish and maintain revenue accounts within the Fund, coded by number, for each type of System revenue. A current copy of the account description and account numbers will be available for inspection at the Administrative Services Department of the City. From time to time, as System revenues are received, the Manager shall credit them to the appropriate accounts. The Manager shall maintain a summary of each revenue account within the Fund. As revenue types change, the Manager may create, modify or delete appropriate accounts.

The Manager shall, as a part of the biennial budget process, estimate System revenues by account. Such estimates will be submitted to and reviewed by the City Council and submitted to the County.

F. SYSTEM FACILITIES OPERATION AND MAINTENANCE EXPENDITURES.

The Manager shall continue its practice of creation and setting aside, in separate accounts, funds sufficient to pay operations and maintenance expenses as they become due and payable. Such funds shall be the first charge against System revenues. These accounts will be known as the "Sewer System Facilities Operation and Maintenance Funds".

The Manager shall provide, within the Fund, separate expenditure accounts for all System operations and maintenance expenses.

A description of System operation and maintenance expenditure accounts will be kept on file in the Administrative Services Department of the City. From time to time as expenses are paid, these shall be charged to the appropriate expense accounts. Summaries will be maintained on each expenditure account within the Fund accounting system.

The Manager shall make annual estimates of System operation and maintenance expenditures by account as a part of the preparation of the biennial Fund budget. These estimates will be submitted to and reviewed by the City Council and submitted to the County Commissioners.

G. BOND RETIREMENT

On January 21, 1993 the outstanding bonds of the System were advance refunded by the issuance of \$8,200,000 of Mesa County, Colorado Sewer Refunding Bonds, Series 1992, issued by the City and the County.

The bonds and interest on the refunded bonds are payable solely from net System revenues, after payment of the costs of facility operation and maintenance.

The Manager shall, as a part of the biennial budget process, provide for bond payments and expenses, in a separate account within the Fund in a manner consistent with generally accepted accounting principles and in a manner that meets applicable requirements of the bond covenants.

The bonds require that gross revenues of the System be sufficient to "pay the annual operation and maintenance expenses and an amount equal to 120% of both the principal of and interest on the refunded bonds payable". This calculation will be made as part of the annual audit and will be described in the audit footnotes as to the sufficiency of gross revenues.

H. BOND RESERVE FUND

The Bond Reserve Fund was created in 1980 and partially funded from the reserve fund moneys on hand deposited in connection with the 1978 sewer bonds of the City and from proceeds of the Series 1980A Bonds. Subsequent required deposits have been made semiannually from System revenues.

The 1992 Bond documents require a bond reserve of "...not less than the average annual principal and interest requirements." This reserve was established at the issuance of the 1992 bonds from the prior Bond Reserve Fund as a reservation of cash and investments, and as a reservation of fund balance within the Fund.

Each audit will provide the auditor's opinion concerning the sufficiency of the Bond Reserve Fund and whether Bond Reserve Requirements have been met.

I. CAPITAL RESERVE ACCOUNTS

The Manager shall continue to maintain expenditure accounts within the Fund for System capital improvements. These expenditures will be budgeted and made after operation and maintenance expenditures, debt retirement, and required reserve fund deposits are made. These capital expenditures are designated as "backbone capital"

and "collection system capital".

System customers, as part of their monthly service fees, pay for specific sewer services. These services are described as "Backbone Operation and Maintenance", "Backbone Capital", "Collection System Operation and Maintenance", and "Collection System Capital". Such terms are defined in the definitions section of these regulations. The monthly service fees shall continue to be calculated based on the various service fee components provided to each customer. The components of the monthly service fee collected for backbone capital and for collection system capital shall continue to be credited as revenues to special reserve accounts set aside for planned capital expenditures in these areas.

The establishment of these capital reserve accounts was ratified by Resolution 98-92 of the City Council on December 16, 1992 which directs that the Manager reserve all current and future fund balances of the Fund, after all required credits are made and reserves funded, for future capital improvements and System replacements.

J. OPERATION AND MAINTENANCE EXPENSE RESERVE

The Manager shall continue, within the Fund, an "unallocated Fund balance" the amount of which the Manager shall determine each year as part of the two year budget process. This unallocated Fund balance, which shall be considered in the ten year plan, represents the amount of money remaining in the Fund after all expenditures and designations for operations and maintenance, debt retirement, current capital, bond reserves, and future capital reserves are made. The unallocated fund balance is and shall continue to be designated as the "Operation and Maintenance Expense Reserve."

The Manager shall continue the established minimum balance to be maintained in the Operation and Maintenance Expense Reserve. This minimum balance is, and shall be, known as "minimum working capital."

The Manager may use such reserve to pay for or offset any deficiencies in System revenues required to defray operating and maintenance expenses, bond retirement expenses, or bond reserve fund shortfalls.

K. RATE SETTING

The Manager shall establish rates, fees, and charges sufficient to

generate annual revenues to meet the requirements of the bonds and to fulfill the policies and decisions as evidenced in the ten year plan. The Manager will submit to the City Council for its review, approval, modification or denial, and shall submit to the County Commissioners, its recommended user charges, tap and plant investment fees to be charged within the System. The user charges and fees will be uniform for those similarly situated within the System as determined by the City Council.

The amount of Plant Investment Fees is intended to recover the cost of construction of interceptor lines and sewage treatment works as described in the Grand Junction and Mesa County pre-design report for waste water treatment facilities and interceptor sewers dated August 1977 (Section 25-70, City Code of Ordinances).

Rates and fees sufficient to meet the obligations and financial requirements of the bonds and capital improvement needs of the System are projected in the 10 year plan. Rates shall be amended from time to time as deemed necessary by the Manager having considered the policy that annual incremental rate increases are preferred over larger increases implemented less frequently.¹

The Manager shall, in addition to the independent periodic rate analyses outlined below, annually review and recommend rates to meet System and Bond requirements.

As outlined in Mesa County Resolution MCM 92-160, if the City or the County deem necessary, the Manager, not less than once every five years, will cause an independent professional engineer to prepare an analysis of the rates and fees. A rate analysis was completed in June of 1985 by Arix Engineering. In May of 1991 another was completed by CH2M-Hill Engineers.

Sewer use charges and plant investment fees shall be charged on the basis of EQU's. An EQU is an "equivalent residential unit" as defined in the City Code.

Section 25-44 and Article XI of the Code of Ordinances of the City shall govern rate administration.

L. INTERFUND TRANSFERS

¹In 1987 it was the policy of the City and the County to schedule rate adjustments once every three (3) years. Rates were amended in 1987. In 1990 rates were amended. The scheduled rate increase for 1993 was postponed until 1994 as a result of the better than projected financial condition of the Fund.

The Agreement, Section I, paragraph 2 allows the Manager to include in its anticipated budget a line item specifying the amount of money needed to reimburse the City for expenses incurred by the Manager and other departments of the City for services provided to the System.

Each budget shall include such a line item, which may be amended from time to time.

M. UTILITY BILLING

The Manager, unless specifically prohibited by contract, shall bill all sewer customers for services received whether those customers are served directly by the System or another entity, including a special district. The existing arrangement is approved whereby Fruitvale Sanitation District bills customers who are not in the City limits.²

There shall be included on each bill, and identified as such, any additional charges made to a customer by any other entity which provides sewer service.

²The Manager bills Fruitvale customers who are then located in the City.

SECTION 4 - SYSTEM EXPANSION

Reserved

