

CITY OF GRAND JUNCTION, COLORADO

MEMORANDUM

Gary O'Brien

Reply Requested
Yes No

Date
August 18, 1983

To: (From:) Jim Patterson From: (To:) Steve Johnson
Harley Seybold
Ralph Sterry
Jerry O'Brien

RE: BLUFFS AREA SEWER SERVICE CHARGES

Recently the Bluffs package treatment plant was retired from service, necessitating a change in the service charges applicable to residents in its former service area. The issue is whether or when should the standard City rate be applied.

According to Ralph Sterry, on July 9 all influent to the plant was cut-off and diverted to the interim plant. By July 15 the plant completed final treatment and was locked. By August 17 work to prevent a backflow to the former Loma Rio lift station was completed, allowing proper operation of the Goat Wash interceptor.

Under the Sewer Service Agreement (1977) between The Bluffs West, Inc., and the City, the Bluffs collection system and package plant have been operated and maintained at City expense. The City agreed to

"bill not less frequently than monthly all users of the Works and Collection system in accordance with its usual billing procedures and in the amount of the out-of-City-rate, together with any such amounts as are necessary to pay extraordinary expenses incurred by the City in the operation of the Works and Collection System " (paragraph 2-F).

Bills for single-family residential units for the Bluffs are \$10.95/month, compared to City SFRE rates of \$6.75/month. There is no current "out-of-city" sewer rate in our City Code, so that the \$6.75 rate has been the base cost to which "extraordinary" expenses for O&M of The Bluffs system have been added.

The Sewer Agreement provided for reversion to the standard City rates upon annexation of the area (paragraph 2-F), but did not directly address the question of the proper charge upon retirement of the package plant. Bluffs West, Inc., and its successors did agree to reimburse the City any cost difference between our O&M costs and revenues from the service area, "until such time as the area served by The Works is served by a sewer treatment facility of the City other than The Works" (para. 2-C-3). But this is merely an indemnification clause - - it does not determine the level of revenue, or the proper rate upon change-over.

Since the Agreement does not expressly describe the proper rate structure upon change-over, the only method of determining whether or when to change the rate to the out-of-City (= in-City) is to determine whether the City is still incurring "extraordinary expenses" in connection with operation of Works and Collection systems, and if not, when we stopped. The point at which we stop "extraordinary expenditures is the point at which we should switch the billing rate to the standard City rate.

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Certainly as of yesterday (Aug. 17), when the final work on the Loma Rio lift station was complete, extraordinary expenditures ceased. However, Loma Rio is not part of the original sewer service agreement referred to above, raising the possibility that extraordinary charges attributable to the Bluffs residents ceased upon lock-up of the plant, or July 15. If so, charges after that date should be at the City rate. (I hereby disclose that I have been a Bluffs resident since August.)

The City/Bluffs agreement does allow the Bluffs to "add adjoining areas subject to all terms and conditions of this agreement. A Bluffs/MSA agreement of 1978 added the area now known as Loma Rio, and extended the terms of the City/Bluffs agreement to Loma Rio. Whether this means that Loma Rio should not be considered to be a separate entity and billed separately (July 15-August 15) is unclear. If this lift-station cost were separated, so should the lack of other expenditures since May, when Loma Rio's sewage was diverted to the Interim Plant (i.e., there may have been no basis to continue the higher service fee since then as to Loma Rio).

Even if not separable, there is a question as to whether the Loma Rio lift station costs are contractually related to the Bluffs collection and treatment system, since the lift station has become a man-hole in the Goat Wash Interceptor. Most of the costs of its removal are included in the Goat Wash Interceptor contract. The only costs incurred by the City since the 15th were for Dick Case's crews to finish the connection between Loma Rio and the Interceptor. It is questionable whether these costs are "extraordinary" to the level of prior months, justifying the higher charge from July 15. If not, a credit or rebate should be considered for one month.

I suggest that Ralph and Jerry analyze these costs, confirm whether they are related to Bluffs collection, and verify consistency with prior expenditure levels.

As for the future, it is apparent that City rates should be charged to all former users of The Bluffs package plant beginning with the August 15 billing cycle, unless those rates are pro-rated from August 17.