

**GRAND JUNCTION CITY COUNCIL  
READINESS SESSION**

**MONDAY, APRIL 30, 2012, 5:00 P.M.  
MUNICIPAL HEARING ROOM  
CITY HALL  
250 N. 5<sup>TH</sup> STREET**

*To become the most livable community west of the Rockies by 2025*

1. **Green Mountain Reservoir and Shoshone Power Plant Update**
2. **Facilities, Utilities, and Street Systems Department:** The presentation will review current broad policies of the Department in the areas of resource protection and utilization, collaborative community relationships, long-range financial planning, and the need for infrastructure maintenance. [Attach W-1](#)



Date: April 23, 2012  
 Author: Greg Trainor, Utility  
 Street, and Facilities Director  
 Title/ Phone Ext: 1564  
 Proposed Meeting Date:  
April 30, 2012

**Attach W-1  
 Utilities, Streets, and Facilities  
 CITY COUNCIL STAFF REPORT  
 READINESS SESSION**

<b>Topic:</b> Facilities, Utilities, and Street Systems Review of Policies, Capital Improvements, and Utility Rate Consideration
<b>Staff:</b> Greg Trainor, Facilities, Utilities, and Street System Director Division Managers

**Summary:**

The presentation will review current broad policies of the Department in the areas of resource protection and utilization, collaborative community relationships, long-range financial planning, and the need for infrastructure maintenance.

**Background, Analysis and Options:**

List below, in summary fashion, are current departmental challenges:

Utility infrastructure is NOT a challenge. We have sufficient funds planned and budgeted for most of our long range capital improvements; water and sewer lines; and treatment plant improvements.

Environmental compliance is NOT a challenge. Nutrient compliance is out to 2023. With adequate rate adjustments, maintenance of adequate fund balances, and debt retirement, we will be able to respond when needed. Small win, but typical of how the Enterprise Funds have been managed: Agreement by Mesa County to reduce our biosolids disposal fee from 18\$ per wet ton to 13\$ per wet ton, allowing us to reduce our annual disposal costs by \$50,000/year and forgo the \$350,000 capital expenditure for the drying bed and the equipment.

Fuel remains volatile. (But NOT a challenge) Not volume but the unit cost: 2008 Solid Waste paid \$164,000 for diesel, by 2010 it had dropped to \$118,000 (\$9,800/mo), the first 9 months of 2011, we were paying \$11,000 per month, Oct, Nov, Dec the first three months of CNG the monthly cost dropped to \$9,000 per month, the first two months of 2012, the price is down to \$8,000 per month In solid waste our annual fuel costs will have dropped, on the average, \$36,000 per year (\$11,000 per month, down to \$8,000/mo.)

Watershed Protection is now covered by a very successful fire fuels management plan with the Forest Service and, although oil and gas is untested, we have a solid watershed protection plan.

Water supply, with drought as the “wild card,” could be a challenge without our interconnections with the Ute and Clifton water districts. There are common discussions among the water users to acquire pre-1922 domestic water rights from the private canal companies in the Grand Valley.

We have never had “bridge maintenance” funds budgeted in Streets. With minor repair and maintenance funds, we have been able to conduct minor bridge repairs on the small canal crossings, but nothing for work on the Redlands Parkway Bridge, 5<sup>th</sup> Street Bridge, and now the Riverside Parkway bridges. This is a challenge as this will compete for new funds from the General Fund.

Additionally, maintenance of streets constructed in new development during the boom, is stretching our capacity to reconstruct.

By summer of 2012, the City will add 50% more space to the City’s building inventory than it had previous to construction of the Police and the 911 center. This is being done without adding a new custodian. We will see how the trash pick-up works...challenge. Adding 54,000 sq feet to existing 101,000 square feet.

Likewise, the previous City Manager’s policy of “no new positions,” placed utilities in a position of needing to fill a “back up” position, paid from sewer funds, to install, program and maintain our SCADA (supervisory controls) at the Persigo Wastewater

Utilities have been able to manage their challenges by maintaining a well thought out and conservative long-range financial plan. Each enterprise fund has such a plan allowing utilities to look over the horizon and to gage the impact of spending or revenue changes out into the future. Fund balances and reserves are maintained for unplanned capital opportunities (such as solar), operational contingencies (weak water sales), emergencies (large interceptor repairs), or payment of capital improvements with cash rather than debt.

A challenge has been presented to us in that for the past three years, the City Manager did not recommend any rate adjustments. This resulted in a “spending down” of fund balances in some of the fund to levels we are not comfortable with. We are recommending **a rate policy of small, annual, incremental rate changes, allowing us to defer rate changes when not needed, rather than a policy of rate avoidance over a number of years, followed by large increases by necessity.**

**Board or Committee Recommendation:**

N/A

**Financial Impact/Budget:**

Further discussions of the financial plans for the department will result in mid-summer 2012 discussion of rates, capital spending, and fund balances.

**Legal issues:**  
Not at this time