



With the November election behind us, I have heard a lot of comments regarding the failure of the passing of the City of Sterling's Bond question for the wastewater system improvements and the City raising the sewer rates in 2019. Because of the confusion, I thought I would attempt to explain what the Bond question was all about and why the City could raise its sewer fees.

The Bond question was and is a requirement of the City Charter. The Charter is a legal document adopted by the members of the Charter in convention on March 20, 1950 and adopted in a referendum on May 2, 1950 that established the municipal government, the powers of the government, the municipal officers, the budget process, and many of the City Departments. The Charter requires under section 6-8, that no bonds or other evidences of indebtedness shall be issued unless the question of issuing such bonds or such other evidences of indebtedness shall have been submitted to a vote of the qualified electors of the city, and a majority of those voting upon the question by ballot shall have voted in favor of issuing such bonds or other evidences of indebtedness.

In the November election, the City was asking to issue bonds or other evidences of indebtedness to finance improvements to the wastewater system that are either required or necessary for the reliability of the system. Those improvements included the replacement of the headworks pump station that was under water during the 2013 flood that required the City to initiate the eight (8) day no-flush order, the installation of a redundant sewer force main because of the uncertainty of the existing force main that has been in service for over 38 years, and modifications to the wastewater treatment plant to meet current and future EPA and Colorado Department of Public Health and Environment discharge standards to the South Platte River. The cost for these necessary improvements is estimated at 35 million dollars. The Bond question was to allow the City to go in to debt for 30 years at an interest rate not to exceed 3.25%.

By financing the necessary improvements, the City could spread the costs over the 30 year period and the debt payment of principal and interest would have been \$1,770,000 annually. The annual payment would have required an increase of \$22.80 per month to the in-city resident bill for sewer service. The City Council approved raising the sewer rates by the \$22.80 in anticipation that another Bond question will be placed on a special election in the spring of 2019. If the Bond question fails at the special election, sewer bills could raise to \$84.60 per month to fund the improvements in a piecemeal fashion. The \$84.60 a month for 3 years should generate \$10 million dollars which means one portion of the necessary improvements could begin in the 4th year assuming that construction costs do not increase over 2019 costs.

Regarding the City's ability to raise the sewer fees with the Bond question failing, the sewer/wastewater services are considered an Enterprise Fund. Under the Taxpayers Bill of Rights (TABOR), unlike the General Fund that requires voter approval for any increase in sales and property taxes, Enterprise Funds are exempt from the requirement to have the voters approve any fee increase.

There are two principal types of financial funds for the City, the Governmental Funds and the Proprietary Funds. The Governmental Fund is also known as the General Fund and finances the majority of the services (Fire, Police, Streets, Parks, Library, Museum, Cemetery, Airport, etc.) the City provides. Revenue for these funds are derived primarily by sales and use taxes and property taxes. The Proprietary Funds is also known as the Enterprise Funds. These funds are not tax based but fee based. The City has three Enterprise Funds: 1.) Water, 2.) Wastewater, and 3.) Sanitation.

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Though Proprietary Funds are exempt from the requirement to get voter approval for raising fee's, TABOR defines/restricts Enterprise Funds from receiving under 10% of its annual revenue in grants from all Colorado state and local governments combined. Therefore the Wastewater fund can't receive over 10% of its revenue from the General Fund or State grants.

In closing, I anticipate recommending to City Council to hold a special election in early 2019 with the same Ballot language that was in the 2018 Primary Election. It is the only economically feasible way to fund the necessary improvements for the wastewater treatment process. By funding the improvements with a 30 Year bond, the rates will remain as they are currently (approved for 2019). If the Ballot question fails, wastewater rates could increase from \$50.00 per month to \$84.60 per month. And with the \$34.60 a month increase, it will only generate \$10,000,000 over three years which means only one third of the improvements can be made which leaves the other two thirds of improvements in a precarious possibly unreliable state.

Should you have any questions, please feel free to contact me at 970-522-9700 X1115.

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City Council decided at their February 12th meeting to not hold a special election. The question will be on the November 2019 ballot.