



Securing Broomfield's Future:

a comprehensive overview of Broomfield's Enterprise Funds and ensuring solvency now and into the future.

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July 16, 2024

The Broomfield Identity is formed History 1961-2000

1961-1997

Broomfield was incorporated as a city in 1961, with a population of 6,500 and an area of [1.5 square miles](#). In the 1970s and 1980s, Broomfield grew significantly, both in residential and commercial development. Broomfield had two drinking water sources, including Great Western Reservoir and Denver Water.

1997-2000

During this time, Broomfield profited from rapid, “world-class” development. In August 2000, the Flatiron Crossing Mall opened, dramatically increasing sales tax revenue and future revenue potential for Broomfield. The new water treatment plant was brought online in August 1997.

On November 3, 1998, a constitutional amendment was approved by voters to allow a three-year transition period allowing Broomfield to organize and become Colorado’s 64th county.



City and County of Broomfield is formed - Identity is solidified, “run to fail” structure begins

2001-2010

Between 2001 and 2010 Broomfield would grow from 40,000 to 56,212 (41.7%). Despite the rapid growth, the Great Recession of 2008 embedded an operational philosophy of lean budgeting and run to failure resulting in critical infrastructure maintenance being deferred.

2011-2019

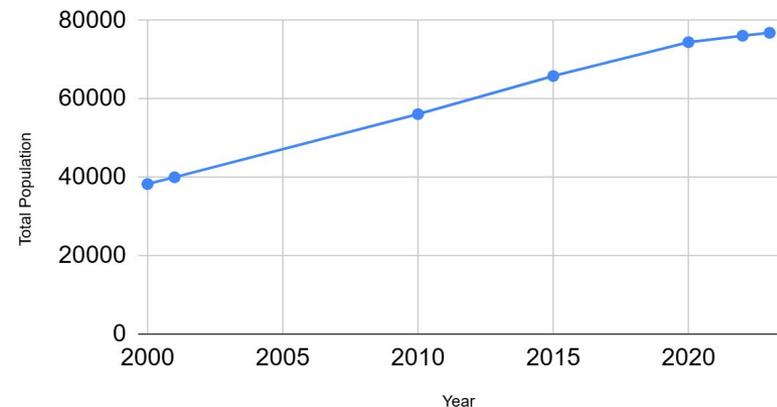
Regulatory environment continues to increase, while Broomfield becomes the fastest growing county over the decade (2010-2020) with a 32.7% increase in population.

2019-Present

While navigating the challenges of the pandemic, staff began critical conversations with City Council began including a philosophical shift focusing less on new infrastructure and increase focus on years of deferred maintenance of infrastructure assets.

Note: In 2023, Broomfield’s population was 76,860 or a 100.8% increase in population since the year 2000 (38,272).

Broomfield Population 2000 to 2023



Solving for the past, present and planning for the FUTURE

2021

- Partnership with City Council to prioritize the community's immediate and long-term needs first - no matter how difficult or unpopular
- Began an intentional journey to identify outstanding commitments related to existing developer agreements, financial obligations, and other long-standing commitments.
 - Shift a decades-long operational philosophy to focus less on new infrastructure and increase focus on years of deferred maintenance of Broomfield's most critical infrastructure assets.
 - Long-standing "run to failure" philosophy relied heavily on growth and development to pay for new and existing infrastructure, which was unsustainable.
- Exacerbated by the pandemic, including unprecedented inflation and cost increases, years-long absence of a formal asset management program and structural deficiencies in Broomfield's critical infrastructure - water, sewer, reclaimed water, and the lack of a stormwater program has resulted in a fever pitch.

Cumulative Effect

With a historical focus on new infrastructure and deferred maintenance has resulted in years-long stagnation of Broomfield's utility rates not keeping pace with costs to provide services.

- Compounded by increasing regulations, unfunded mandates, unprecedented inflation, and minimal to no increase in staffing, specifically in Public Works, to incorporate the increased infrastructure needs adequate has led Broomfield to a critical crossroads.

2022-2024

- Over the past two years, staff has presented Council and the community with comparison tables, including one that outlined the 2012 utility rate study and the subsequent increases (or mostly were not) implemented between 2013-2021.
- As recently as Fall 2023, staff also provided a comprehensive overview of Broomfield's existing enterprise funds, including what constitutes an enterprise fund, associated fees, and an overview of anticipated infrastructure projects.

Critical Crossroads

The vital nature of the following proposed utility rate increases cannot be overstated. Failure to approve and implement the recommended increases will risk catastrophic results, endangering the health and well-being of our Broomfield community.

Lessons Learned:

- Over the past two years, staff has worked diligently to implement a less impactful, phased approach for Broomfield's residents. Despite best efforts, these attempts did not untangle decades-long neglect resulting from the "run to failure" operational philosophy.

Immediate Action is Needed:

- Without immediate action, Broomfield's aging infrastructure will continue to deteriorate, negating staff's ability to meet existing service demands and regulatory requirements, and the ability to be responsive to expanding needs as our community continues to grow.

AECOM:

- A third-party consultant, AECOM, has also reviewed Broomfield's current infrastructure and confirmed staff's recommendation and plan.



Proposed Utility Rate Increases:

Effective January 1, 2025 (if approved later this fall)

Single Family Residential - Average Monthly Bill					
	Rates		Average Bill *		Monthly Difference
	Existing 2024	2025 Proposed	Existing 2024	2025 Proposed	\$
Water Flat Rate	\$16.93	\$36.91	\$16.94	\$36.91	\$19.97
Water Usage tiers		no change	\$27.23	\$27.23	\$0.00
Water Service*			\$44.17	\$64.14	\$19.97
Sewer Cost/1,000 gallons	\$4.46	\$5.44	\$26.76	\$32.64	\$5.88
Fed Mandate Charge	\$0.52	\$0.52	\$3.12	\$3.12	\$0.00
SW - Compliance Fee	\$6.00	\$9.00	\$6.00	\$9.00	\$3.00
Sewer Service*			\$35.88	\$44.76	\$8.88
Stormwater Service	\$0.00	\$11.00	\$0.00	\$11.00	\$11.00
Total Bill			\$80.05	\$119.90	\$39.85

* based on 9,000 gallons for water and 6,000 gallons for sewer.
 9,000 gallon/month based on 4 year historical average of 107,000 gallons per year for single family 0.75 inch

Projected Average Monthly Bill				
	2025	2026	2027	2028
Anticipated Bill	\$119.90	\$138.05	\$148.11	\$158.22
Percentage Change	50%	15%	7%	7%

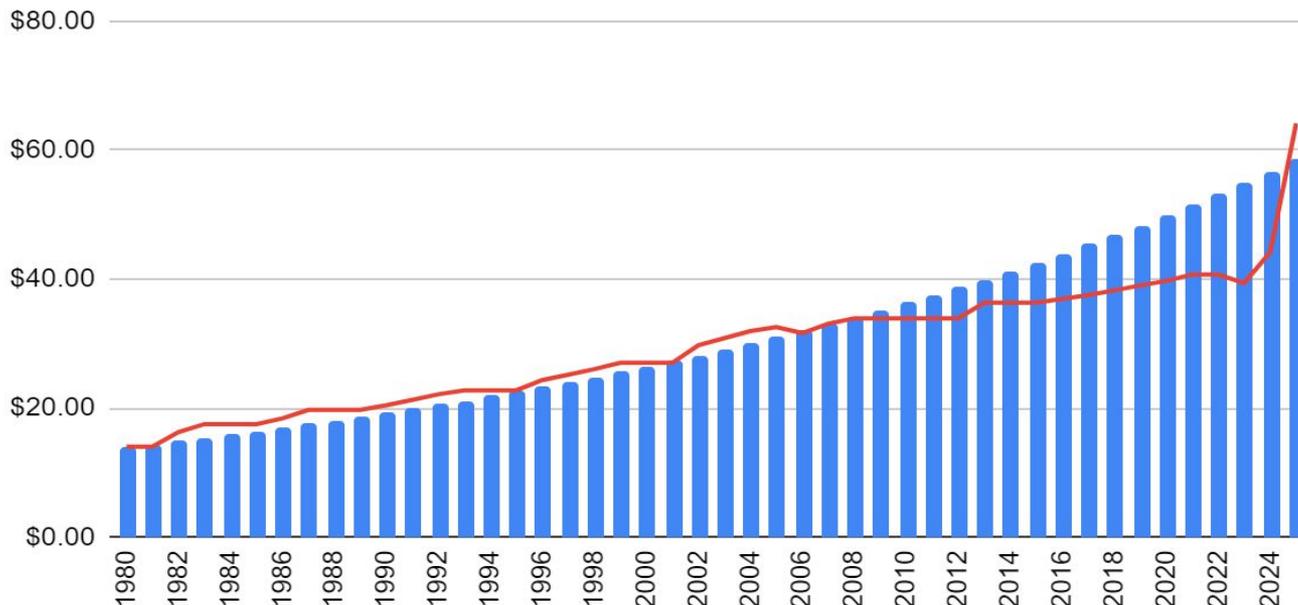


Utility Rates - Did Not Keep Pace With Growth - not even close

Costs to provide services continued to increase; regulations and unfunded mandates continued to increase; unprecedented Inflation; and minimal increases to staffing.

CCOB Inflation-adjusted Rate vs Actual Rate

■ Inflation-adjusted Rate ■ Actual Rate



Based on:

- Average monthly water bill (~9,000 gallons)
- 3.2% annual inflation rate 1980-2024
- If rates would have kept pace with annual inflation of 3.2%, the 2024 rate of \$44.16 would have been 22% higher or \$56.69.
- Compounding nature of inaction.

Water: Unfunded Regulatory Mandates – only expected to increase

Water - Increase of 1900% since 2017

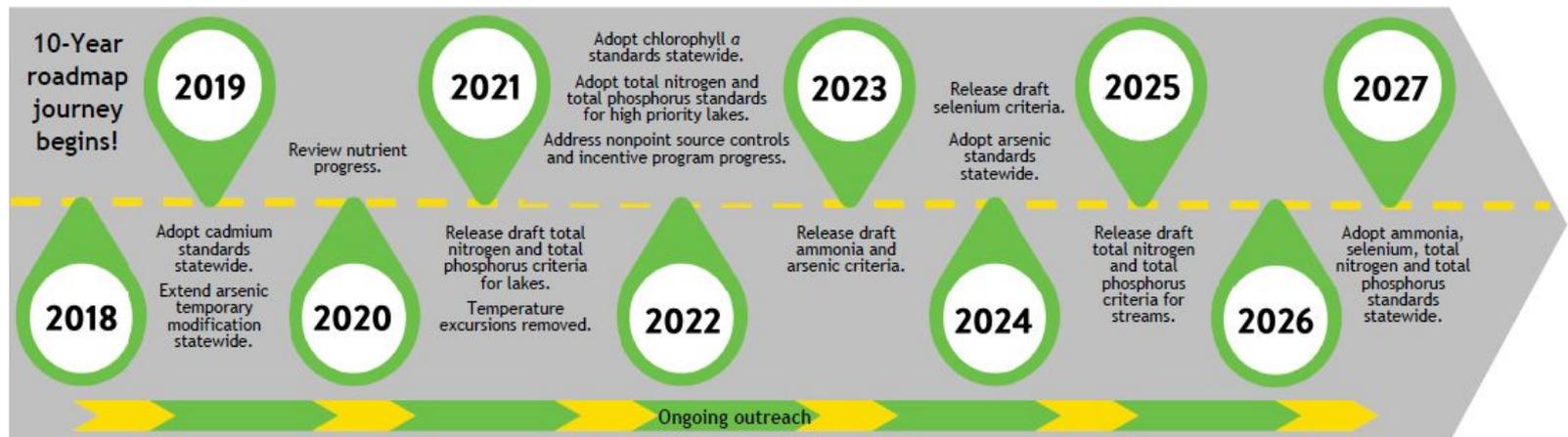
- Lead and Copper
- Corrosion control requirements
- Population (residence + working) reaching 100,000; 50% increase in frequency
- Water quality parameters (pH and alkalinity)

Federal and State unfunded mandates expected to continue (For example beginning in 2027; Public education report move from annual publication to twice a year (huge staff lift, approx 160 hours per publication))

Waste Water: Unfunded Regulatory Mandates

Wastewater

- Increase of 669% since 2002 (13 parameters to 100 parameters)
- Lower required detection and more restrictive limits requiring more sophisticated analytical testing equipment.
- CDPHE Water Quality Control Division's 10 Year Regulatory Road Map Includes - Chlorophyll a, More Restrictive Total Nitrogen and Phosphorus, Arsenic, Selenium, A New Temperature Standard
- PFAS Treatment



Stormwater – Unfunded Regulatory Mandates

Stormwater - Six Required Areas of Controls:

1. Public education and outreach on stormwater impacts
2. Public involvement/participation
3. Illicit connections and discharge detection and elimination
4. Construction site stormwater runoff control
5. Post-construction stormwater management in development/redevelopment
6. Pollution prevention/good housekeeping for municipal operations including stormwater detention basins, stormwater and water quality ponds.

Inflation & Pressures To Keep Rates Low

The COVID-19 Global Pandemic resulted in economic instability and continued pressure to keep utility costs low.

Profound inflationary costs on capital projects resulted in spikes of upwards of 50% for construction materials while reduction in available workforce resulted in continued significant inflation on construction labor costs.



City and County of Broomfield Utility Operations Infrastructure - \$3.428 Billion & Growing

Utility Water Infrastructure:

- Includes all systems used to move, store, treat, distribute or dispose of water.

Utility Operations Infrastructure - four main functions:

1. Supplying clean water for public use;
2. Treating wastewater to protect public health;
3. Enhancing water supply through non-potable reuse irrigation; and
4. Collecting and conveying stormwater away from homes and businesses.

Continued growth and emphasis on higher-density development means that Broomfield's utility infrastructure assets will need to accommodate a larger increase in usage, impacting operations and maintenance costs associated with these critical assets.

Compounding costs is the declining share of capital investments by the Federal government from 63% (1977) to 5% (2023). The burden of clean water compliance and infrastructure investment is almost entirely with the local government and the community it serves.



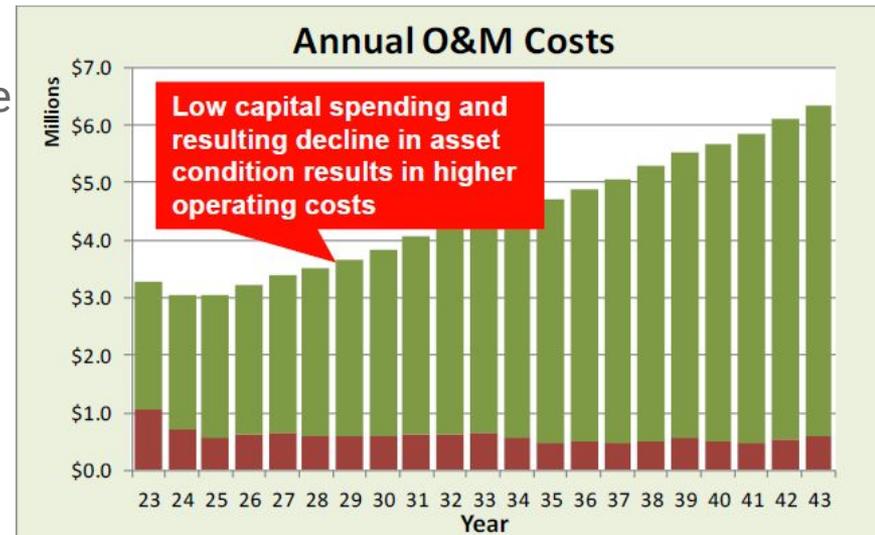
Broomfield, like many of our neighboring communities, urgently needs to renew investment in our community's utility infrastructure. ¹²

Enterprise (Utility) Funds Overview

- Utilities are operated as “Enterprises”
 - By law, cannot be supported by taxes
 - **Base Fees:** supports fixed operating costs (staff, electricity, preventative maintenance)
 - **User Charges:** supports variable operating and maintenance costs due to metered consumption (chemicals, electricity, asset replacement, and corrective maintenance)
 - **License Fees:** support capital expansion or growth
- Broomfield currently operates three (3) Enterprise systems
 - Water (Potable)
 - Examples include: drinking water, washing, irrigation, showering
 - Wastewater (Sewer)
 - Examples include: everything that goes down the drain
 - Water Reclamation (Reuse/Non-Potable)
 - Examples include: irrigation for commercial, homeowner associations, golf courses, and parks

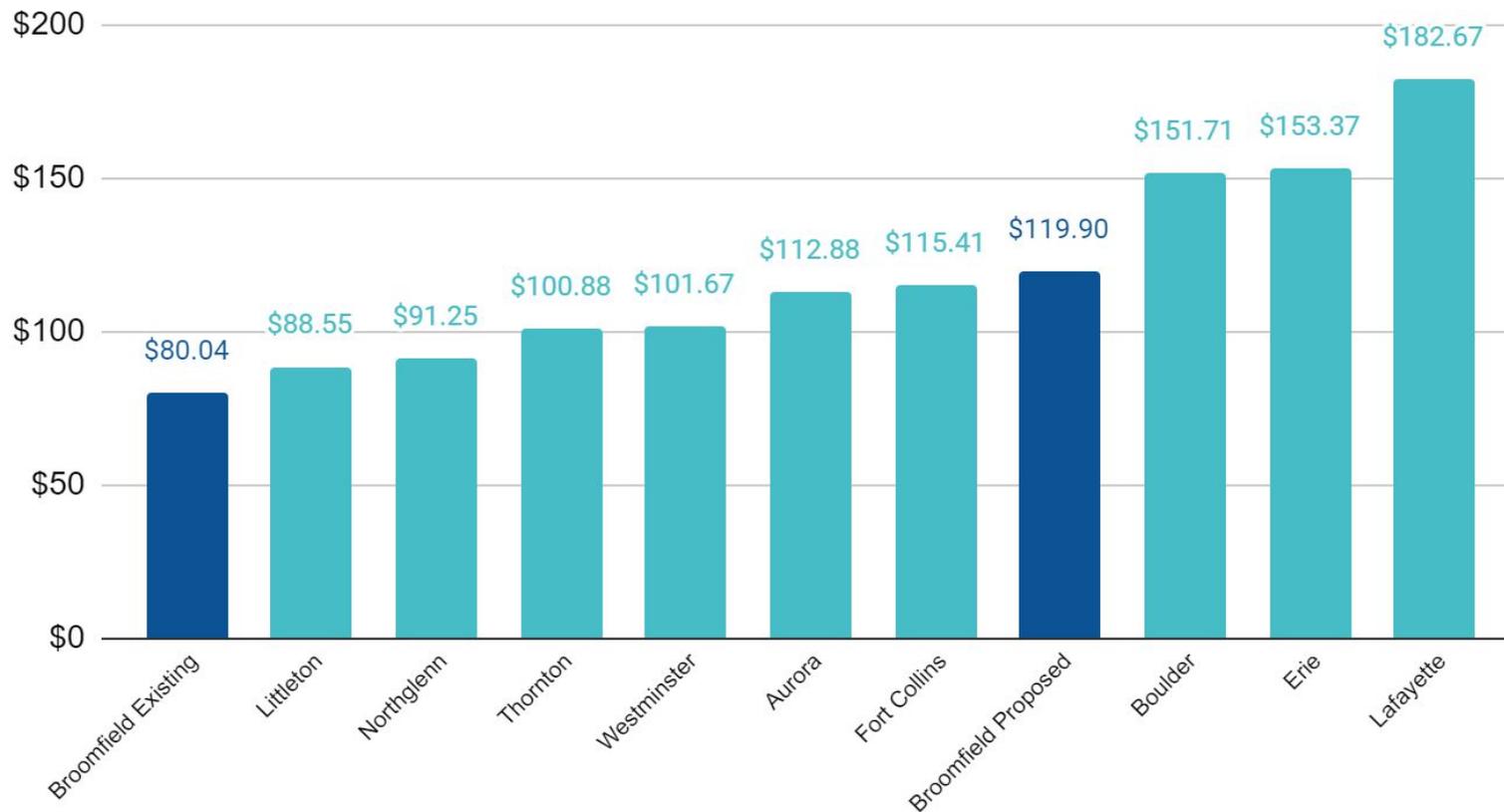
Failure to approve and implement the proposed increase CCOB risks:

- Water supply and pressure for fire protection will be inadequate during peak demand
- Continued deterioration of existing infrastructure - Increase Water Outages, Sewer Overflows and Backups into homes/Businesses, Lack of staff reducing services and increasing emergency response time.
- Increases in infrastructure failures can lead to a proportional increase in contamination events and potentially adverse public health outcomes.
- By not increasing the investment into the sewer infrastructure by the recommendation of \$8 million and reducing it to \$6 million. The backlog of sewer infrastructure maintenance will increase from \$23 million (2023) to \$30 million (2030) and to approximately \$75 million by 2043.
- Within 3-5 years; restrict new and infill development - staff won't be able to certify the source of water to support the development.
- Reduced ability to be meet and be compliant to regulatory changes



Comparable Front Range Municipalities: Single Family Residential Average Monthly Bill

Front Range - Total Average Monthly Bill



Based on Average Single-Family Household Usage:

- ~9,000 gallons per month of water usage
- ~6,000 gallons of Average Winter Consumption (AWC) for sewer charges
- Includes stormwater fees

Important Note:

Broomfield's existing and proposed rates are included. Note, other municipalities reflect 2024 rates, which are anticipated to increase effective in 2025.



Enterprise Funds: Structure, Model & Yield

As part of the annual budget planning process for the upcoming year, staff reviewed the Utility Rate Model in April/May 2024. This collaborative, repeatable process includes:

- Evaluation of anticipated annual revenue and expenditures related to the utility systems.
- Ensuring adequate revenue generation and distribution of costs

The Utility Rate Model and its yield is then applied across all Enterprise funds, including any recommended increases, for the upcoming fiscal year (2025) and projected for three additional years (2026-2028). The yield also resulted in a recommendation to implement a monthly stormwater fee.

Projected Average Monthly Bill				
	2025	2026	2027	2028
Anticipated Bill	\$119.90	\$138.05	\$148.11	\$158.22
Percentage Change	50%	15%	7%	7%

Rates include Water, Sewer, and Stormwater charges for an average Single Family Home. Based on 9,000 gallons of water usage, and 6,000 gallons of average winter consumption for sewer.



Water: Current (red) vs New

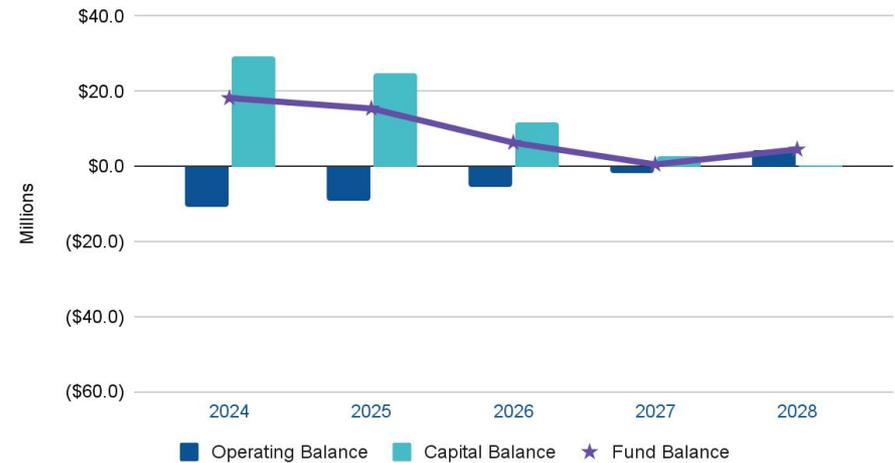
	2024	2025	2026	2027	2028
Operating Balance	(\$10.4)	(\$16.9)	(\$25.6)	(\$37.4)	(\$49.7)
Capital Balance	\$29.2	\$23.6	\$9.5	(\$0.7)	(\$4.2)
Fund Balance	\$18.8	\$6.7	(\$16.1)	(\$38.1)	(\$53.9)

	2024	2025	2026	2027	2028
Operating Balance	(\$11.0)	(\$9.3)	(\$5.3)	(\$2.0)	\$4.3
Capital Balance	\$29.2	\$24.7	\$11.6	\$2.5	\$0.2
Fund Balance	\$18.2	\$15.4	\$6.3	\$0.5	\$4.5

Water Utility Fund with Current Rates



Water Utility Fund with Updated Rates



Note:

- Increasing rates in 2025 will lead to maintaining a positive fund balance through 2028.
- Both projections include bonding for the Water Tank capital project in 2026.

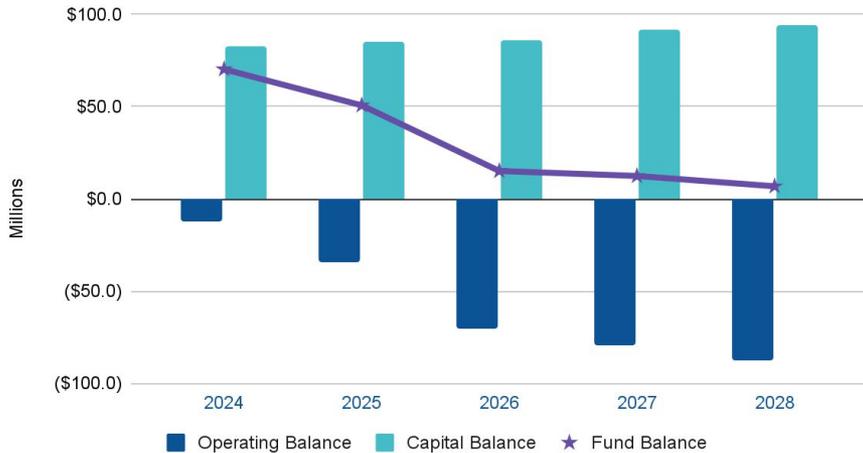


Sewer: Current (red) vs New

	2024	2025	2026	2027	2028
Operating Balance	(\$12.2)	(\$34.4)	(\$70.7)	(\$79.4)	(\$87.6)
Capital Balance	\$82.5	\$85.1	\$85.8	\$91.8	\$94.4
Fund Balance	\$70.3	\$50.7	\$15.1	\$12.4	\$6.8

	2024	2025	2026	2027	2028
Operating Balance	(\$12.2)	(\$32.1)	(\$63.9)	(\$66.5)	(\$66.9)
Capital Balance	\$82.5	\$85.1	\$85.8	\$91.8	\$94.4
Fund Balance	\$70.3	\$53.0	\$21.9	\$25.3	\$27.5

Sewer Utility Fund with Current Rates



Sewer Utility Fund with Updated Rates



Note:

- Increasing rates in 2025 will lead to maintaining a fund balance adequate to meet reserve targets.
- Both projections include bonding for Phase 2 of the Wastewater Treatment facility.



Stormwater: Overview

Currently, the City and County of Broomfield does not have a stormwater fund.

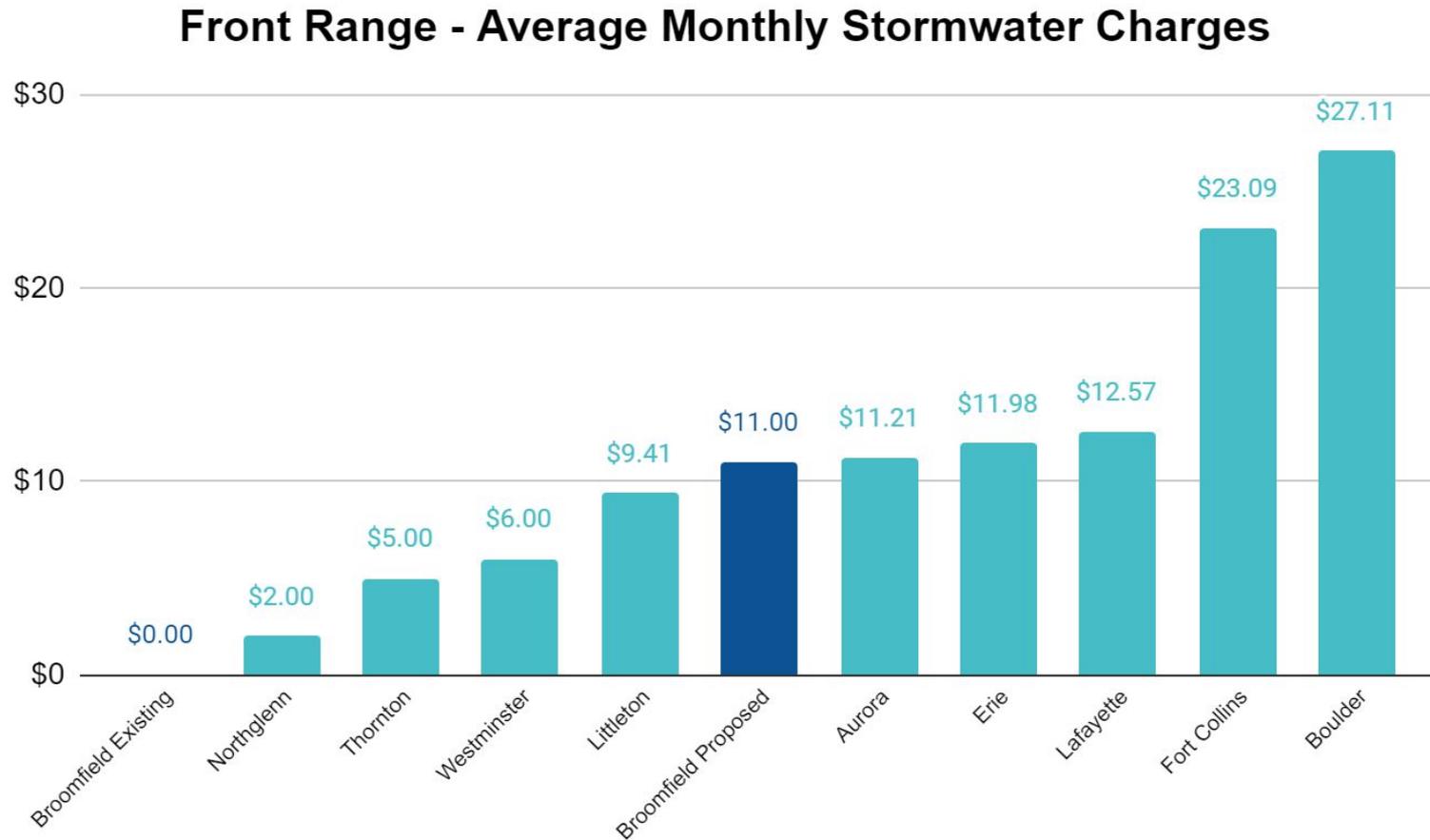
- In the Front Range, [37 of 38 municipalities](#) charge a stormwater fee.
 - Broomfield is the only municipality that does not.

Staff is recommending the creation of a stormwater enterprise fund beginning January 1, 2025 to ensure a self-sustaining fund for stormwater operations and maintenance. Currently, these costs are being subsidized by the sewer fund.

- Proposed Stormwater Fee:
 - \$11 per month per single family household
 - \$8.80 per month for townhomes/condos/mobile homes
 - \$6.60 per month for apartments

Non-residential (i.e. commercial, industrial, and other non-residential customers) will be charged a monthly amount based on impervious square footage, similar to other communities.

Front Range - Stormwater Monthly Bill Comparison



Note:

- Broomfield rate is based on 2025 rates, whereas all other municipalities are showing 2024 rates, which will likely increase for 2025.



Proposed Utility Rate Increases:

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Residential Assistance Funding

Staff is aware that any rate increase could adversely affect a portion of Broomfield's population.

Staff remains committed to introducing a targeted approach to developing a resident assistance program for those who demonstrate a financial hardship.

An annual amount will be recommended for allocation from the water and sewer funds to provide a funding source for the resident assistance program for those who demonstrate a financial hardship.

Staff will be prepared to provide the Council with additional information alongside the first reading of the ordinance in September.

Next Steps: Proposed Utility Rate Increases

August 20, 2024 Study Session:

- Economic & Fiscal Update

Public Forums (5) in August and September 2024 - [see memo](#) for dates/topics.

September 4, 2024:

- 2024 Revised & 2025 Proposed Operating and Capital Budget Packet Provided to Council

September 10, 2024 Council Meeting:

- 2024 Revised & 2025 Proposed Operating and Capital Budget Packet Available to the Public

October 1, 2024 Council Meeting (Tentative) - if directed by Council:

- Ordinance 1st Readings - 2024 Revised & 2025 Proposed Operating and Capital Budget and Utility Rate Increases

October 22, 2024 Council Meeting:

- Ordinance 2nd Readings - 2024 Revised & 2025 Proposed Operating and Capital Budget and Utility Rate Increases

Request for Council Direction

Direction from Council:

- Does staff have direction from Council to proceed with bringing forward the recommended utility rate increases, including establishing and implementing a stormwater fee, to be effective January 1, 2025, and to bring forward an ordinance on 1st and 2nd reading in October of this year.