

**PUBLIC WORKS AND UTILITIES  
MEMORANDUM # 09-23**

**DATE:** May 14, 2009

**TO:** Honorable Mayor Kathleen M. Novak and City Council Members

**FROM:** William A. Simmons, City Manager *WAS*  
Raymond Reling, Acting Director of Utilities *RR*

**SUBJECT:** CR-60, 2009 proposed rate using Red Oak Alternative 1 Four-Tier Increasing rate.

**DESCRIPTION:**

The Red Oak Alternative 1 is the increasing four-tier volume structure presented to Council at the February 5<sup>th</sup> Study Session.

**Pros**

Tiered structure is familiar to our customers and is the standard practice throughout the Western United States.

Lower operating and maintenance costs with reduced demand on infrastructure  
Water conservation is promoted by establishing higher rates for high consumption users.  
Provides two tiers for irrigation

**Cons**

Large volumes of irrigation consumption more expensive.

**BACKGROUND:**

Staff has been working in conjunction with Red Oak Consulting to update the City's water and sewer rate structure by providing a Water and Wastewater Fund Financial Analysis. This Analysis was presented to City Council on February 5, 2009 and March 19, 2009. As part of this process, a tiered or block rate structure was included as Alternative 1.

The tiered rate structure would qualify as a conservation-oriented approach. Since conservation is a key component in our long term water resources planning, there is a risk that if conservation goals are not met, we may face severe and potentially devastating challenges in meeting future demands. In addition, the benefits of using this type of structure would include the following: (1) a savings to the city from not having to develop additional water supplies; (2) a savings in electrical costs due to less pumping; (3) lower operating and maintenance costs with reduced demand on infrastructure; and (4) adherence to The City's Conservation Plan (approved on July 12, 2007), which identified a tiered rate structure as one of the actions necessary to reach the established target savings of 600 acre-feet at build out.

It should also be noted that the tiered rate structure has proven effective throughout the Western United States and for a wide range of local municipalities, both for addressing financial demand and water conservation, and is currently in use by the Cities of: Thornton, Westminster, Denver, Arvada, Longmont, Boulder, Colorado Springs, Fort Collins and Aurora.

Lastly, the tiered rate structure addresses the need for equity in distributing water costs to the residents of a municipality. While a single rate structure does charge customers for exactly what they use, it does not take into consideration the burden imposed on the City's water supply and infrastructure by heavy users. An increasing block, or tiered, structure addresses both water use and the infrastructural and supply overload caused by increased demand. In other words, greater usage by an individual residence results in greater stress on the overall system, which is in turn represented in the specific residence's bill.

**RECOMMENDATION:**

Attached to this memorandum is a Consideration Resolution which, if approved, would increase the water and sewer usage rates for the Water and Sewer fund. Staff recommends approval of the proposed rate structure.

**POTENTIAL OBJECTION:**

City Staff is not aware of any specific opposition to the proposed Ordinance.

**BUDGET/TIME IMPLICATIONS:**

There is no impact to the General Fund.

**STAFF REFERENCE:**

Please contact Raymond Reling, Acting Director of Utilities at [rreling@northglenn.org](mailto:rreling@northglenn.org), or (303) 450-4049.

**PUBLIC WORKS AND UTILITIES  
MEMORANDUM # 09-22**

**DATE:** May 14, 2009

**TO:** Honorable Mayor Kathleen M. Novak and City Council Members

**FROM:** William A. Simmons, City Manager *WAS*  
Raymond Reling, Acting Director of Utilities *RR*

**SUBJECT:** Supplemental information for CR-60 and CR-61, 2009 proposed water and wastewater rate.

**BACKGROUND:**

At the April 23, 2009 Council Meeting, Council approved moving forward with a public hearing for both Alternative 1, the 4-tier rate structure, and Alternative 4, the uniform rate structure. Attached to this memorandum are a table and two graphs illustrating the difference in alternatives comparing water usage by the corresponding rate or change in rate for the given usage.

**RECOMMENDATION:**

Staff recommends approval of the proposed Alternative 1, the 4-tier rate structure.

**POTENTIAL OBJECTION:**

City Staff is not aware of any specific opposition to the proposed Ordinance.

**BUDGET/TIME IMPLICATIONS:**

There is no impact to the General Fund.

**STAFF REFERENCE:**

Please contact Raymond Reling, Acting Director of Utilities at [rreling@northglenn.org](mailto:rreling@northglenn.org), or (303) 450-4049.

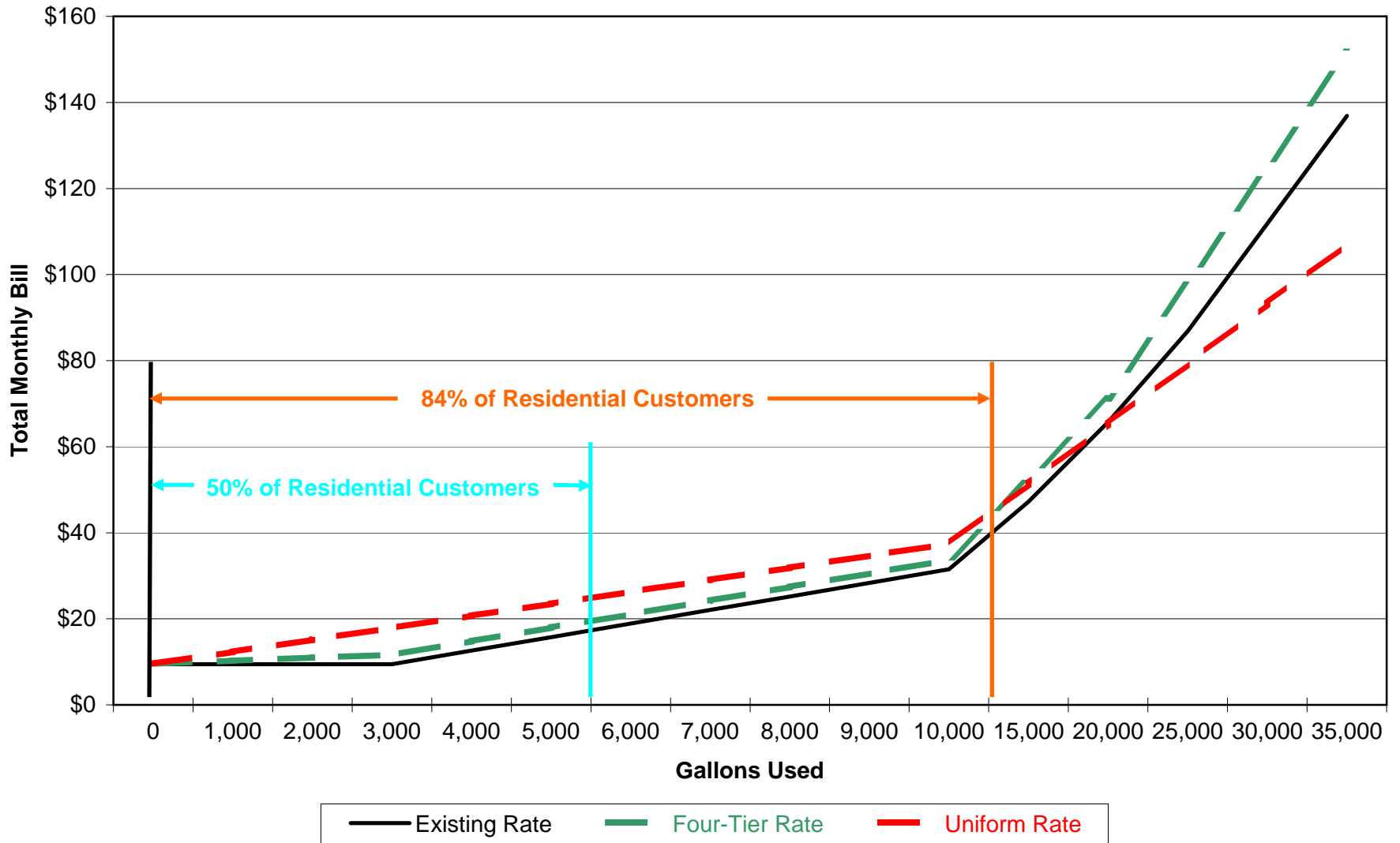
## Comparison of Residential Monthly Water Bills Under Existing and Alternative 2009 Rates

Monthly Usage (gallons)	% of Res Customers	Cum. % of Bills	Existing Rates	Alternative 1: Four-Tier		Alternative 4: Uniform Rate		Alternative 1: Four-Tier Rate % Increase	Alternative 4: Uniform Rate % Increase
				Amount (\$)	Change (\$)	Amount (\$)	Change (\$)		
0	3.5%	3.5%	9.45	9.55	0.10	9.55	0.10	1%	1%
1,000	3.6%	7.1%	9.45	10.25	0.80	12.34	2.89	8%	31%
2,000	6.9%	14.0%	9.45	10.95	1.50	15.13	5.68	16%	60%
3,000	9.5%	23.5%	9.45	11.65	2.20	17.92	8.47	23%	90%
4,000	10.5%	34.0%	12.60	14.80	2.20	20.71	8.11	17%	64%
5,000	9.9%	43.9%	15.75	17.95	2.20	23.50	7.75	14%	49%
<b>6,000</b>	<b>8.3%</b>	<b>52.2%</b>	<b>18.90</b>	<b>21.10</b>	<b>2.20</b>	<b>26.29</b>	<b>7.39</b>	12%	39%
7,000	6.9%	59.1%	22.05	24.25	2.20	29.08	7.03	10%	32%
8,000	5.5%	64.6%	25.20	27.40	2.20	31.87	6.67	9%	26%
9,000	4.5%	69.1%	28.35	30.55	2.20	34.66	6.31	8%	22%
10,000	3.7%	72.8%	31.50	33.70	2.20	37.45	5.95	7%	19%
<b>15,000</b>	<b>11.9%</b>	<b>84.7%</b>	<b>47.25</b>	<b>52.45</b>	<b>5.20</b>	<b>51.40</b>	<b>4.15</b>	11%	9%
20,000	6.4%	91.1%	65.75	71.20	5.45	65.35	-0.40	8%	-1%
25,000	3.7%	94.8%	86.85	98.05	11.20	79.30	-7.55	13%	-9%
30,000	1.9%	96.7%	111.85	124.90	13.05	93.25	-18.60	12%	-17%
35,000	1.1%	97.8%	136.85	151.75	14.90	107.20	-29.65	11%	-22%
>35,000	2.2%	100.0%							

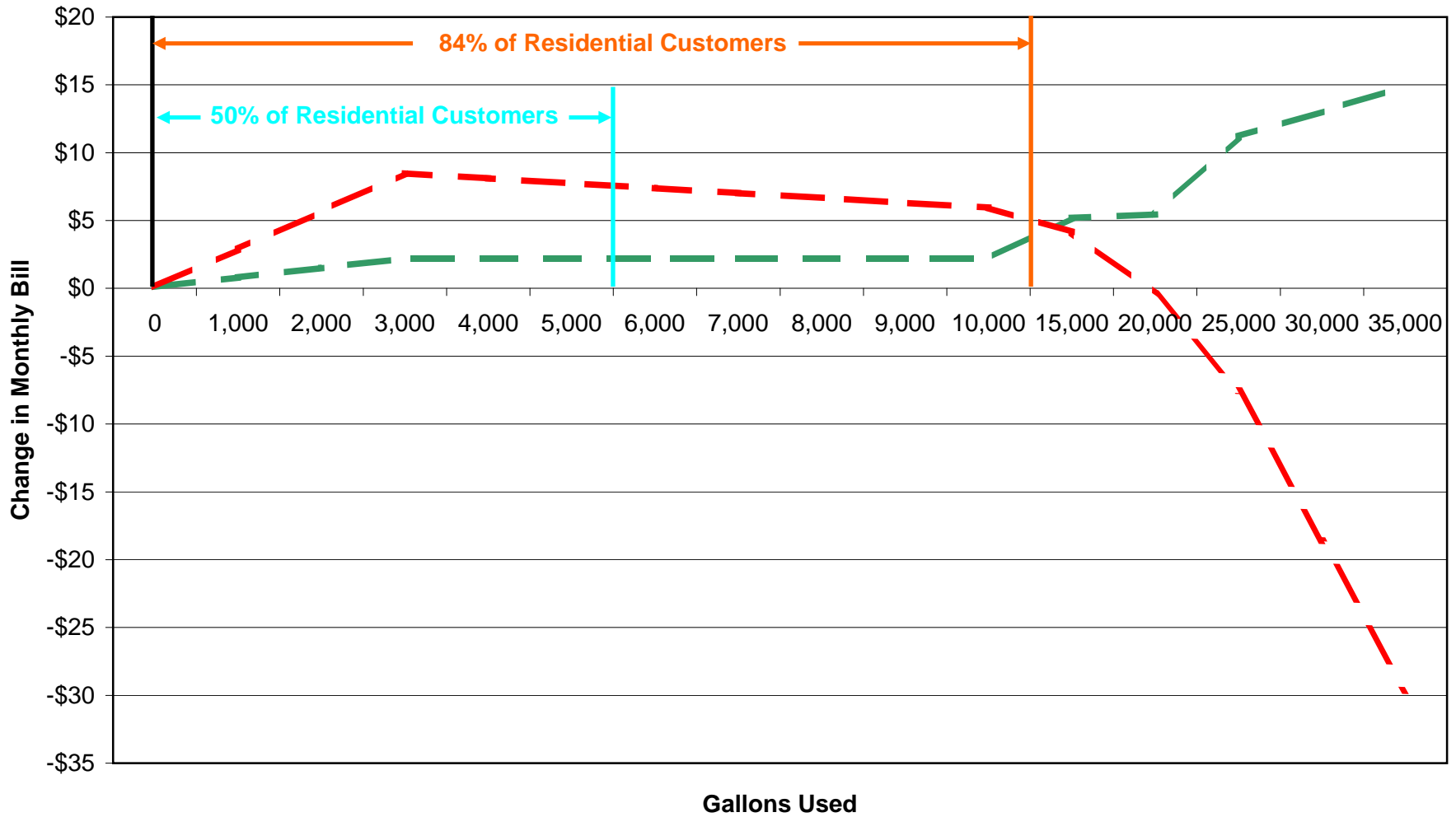
52.2% (Median) of NG customers use 6,000 gallons or less

84.7% of NG customers use 15,000 gallons or less

# Comparison of Residential Monthly Water Bills Under Existing, Alternative Four-Tier Rate, and Alternative Uniform Rate



## Comparison Of Change in Residential Monthly Water Bills Using Four-Tier and Uniform Rate



— Four-Tier Rate      — Uniform Rate

SPONSORED BY: MAYOR NOVAK

COUNCILMAN'S RESOLUTION

RESOLUTION NO.

No. CR-60  
Series of 2009

\_\_\_\_\_  
Series of 2009

A RESOLUTION APPROVING A WATER RATE CHANGE FOR THE CITY OF NORTHGLENN

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF NORTHGLENN, COLORADO, THAT:

Section 1. A Consideration Resolution was approved by a majority of City Council on Thursday, April 23, 2009, and a Public Hearing on the proposed changes for water rates was held Thursday, May 14, 2009 pursuant to the requirements set forth in the Municipal Code at Section 16-10-4(b); and

Section 2. The City Council has determined that it is appropriate to change the water rates for the City of Northglenn effective as of \_\_\_\_\_ at the first full billing cycle.

**Current Rates:**

Residential Individually Metered  
Tier Rate

Tier 1 \$3.15 per 1,000 gallons  
Tier 2 \$3.70 per 1,000 gallons  
Tier 3 \$5.00 per 1,000 gallons

Consumption Range

First 15,000 gallons (3,000 gallon minimum)  
Over 15,000 to 23,000 gallons  
Over 23,000 gallons

All Other Consumers

Tier 1 \$3.25  
Tier 2 \$3.70  
Tier 3 \$4.75

Consumption Range

Up to 70% of the EQR as defined in Section 16-10-2 (f)  
Over 70% up to 80% of the EQR assigned as defined in Section 16-10-2 (f)  
Over 80% of the EQR as defined in Section 16-10-2 (f)

Residential Drought Surcharge

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Stage 4</u>
Over 18,000 gallons	None	\$2.00 per thousand gals	\$4.00 per thousand gals	\$4.00 per thousand gals

Commercial Drought Surcharge

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Stage 4</u>
Over 100% EQR	None	\$2.00 per thousand gals	\$4.00 per thousand gals	\$4.00 per thousand gals

Wastewater

\$2.85 per 1,000 gallons (3,000 gallon Minimum)

**New Rates:**

Residential Individually Metered  
Tier Rate

Tier 1 \$0.70 per 1,000 gallons  
Tier 2 \$3.15 per 1,000 gallons  
Tier 3 \$3.75 per 1,000 gallons  
Tier 4 \$5.37 per 1,000 gallons

Consumption Range

First 3,000 gallons  
Over 3,000 to 10,000 gallons  
Over 10,000 gallons to 20,000 gallons  
Over 20,000 gallons

Commercial Water Volume Charges

Mixed Use  
\$3.25 per 1,000 gallons  
  
\$4.97 per 1,000 gallons  
  
Domestic Use  
\$3.25 per 1,000 gallons

Consumption Range

Up to 100% of the EQR as defined in Section 16-10-2 (f)  
Over 100% of the EQR as defined in Section 16-10-2 (f)

Irrigation Use  
\$4.97 per 1,000 gallons

Residential Drought Surcharge

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Stage 4</u>
Over 18,000 gallons	None	\$2.00 per thousand gals	\$4.00 per thousand gals	\$4.00 per thousand gals

Commercial Drought Surcharge

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Stage 4</u>
Over 100% EQR	None	\$2.00 per thousand gals	\$4.00 per thousand gals	\$4.00 per thousand gals

Wastewater

Monthly Service Charge per bill  
Residential \$1.50

Commercial \$1.50



Volume Charge per 1,000 gallons  
Residential \$3.08

Commercial \$3.08

Industrial Charges, \$ per pound for concentrations over 250 mg/L  
BOD, per pound \$0.24  
TSS, Per Pound \$0.24

Monthly Service Charges

Meter Size	Per Bill
5/8	\$9.55
3/4	\$10.00
1	\$11.00
1 ½	\$13.20
2	\$16.30
3	\$23.90
4	\$32.70
6	\$56.90

DATED at Northglenn, Colorado, this \_\_\_\_ day of \_\_\_\_\_, 2009.

\_\_\_\_\_  
KATHLEEN M. NOVAK  
Mayor

ATTEST:

\_\_\_\_\_  
JOHANNA SMALL, CMC  
City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
COREY Y. HOFFMANN  
City Attorney